

District of Columbia, and owner of lot 816, square 50, on the northwest corner of Twenty-second and M Streets Northwest, and lessee of all of lots 10, 11, 12, 13, and 14 in square 36, all on the east side of Twenty-fourth Street Northwest, between M and N Streets, and all of lots 15, 16, 807, 808, and 809 in square 36, all on the south side of N Street Northwest, between Twenty-third and Twenty-fourth Streets, leased from an affiliated corporation, and all in the District of Columbia, its successors or assigns, to lay down, construct, maintain, and use not more than three pipe lines for a pneumatic tube system from a point within said lot 816, square 50, through connecting public alleys, across Twenty-third Street Northwest, through a connecting alley to a point within said lot 10, square 36.

SEC. 2. (a) The construction and use of such pipe lines shall be under such regulations and rentals as the Commissioners of the District of Columbia may prescribe and all plans and specifications for such construction shall be subject to their approval.

Regulations and rentals.

(b) The Commissioners of the District of Columbia shall have full authority to designate the location and to cause such repairs or relocation of such pipe lines as the public necessity may require, any such repairs or relocation to be at the expense of the Bureau of National Affairs, Inc., its successors or assigns.

Location and repairs.

(c) Any repairs to streets, highways, or other public property necessitated by construction or alterations of such pipe lines shall be made in a manner approved by the Commissioners of the District of Columbia, at the expense of the Bureau of National Affairs, Inc., its successors or assigns.

SEC. 3. No permission granted or enjoyed under the provisions of this Act shall vest any right, title, or interest in or to the land within any public alleys or Twenty-third Street Northwest.

Property rights.

SEC. 4. The right to alter, amend, or repeal this Act is expressly reserved.

Approved February 22, 1944.

## [CHAPTER 63]

### AN ACT

To provide revenue, and for other purposes.

February 25, 1944  
[H. R. 3687]  
[Public Law 235]

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) SHORT TITLE.*—This Act, divided into titles and sections according to the following Table of Contents, may be cited as the “Revenue Act of 1943”:

Revenue Act of 1943.

[In the following table, a section number enclosed in parentheses following the description of the subject matter of a section, subsection, or paragraph of this Act indicates each provision of the Internal Revenue Code amended by such section, subsection, or paragraph of this Act.]

53 Stat., Part 1.  
26 U. S. C.; 26  
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(b) ACT AMENDATORY OF INTERNAL REVENUE CODE.—Except as otherwise expressly provided, wherever in this Act an amendment is expressed in terms of an amendment to a chapter, subchapter, title, supplement, section, subsection, subdivision, paragraph, subparagraph, or clause, the reference shall be considered to be made to a provision of the Internal Revenue Code.

(c) MEANING OF TERMS USED.—Except as otherwise expressly provided, terms used in this Act shall have the same meaning as when used in the Internal Revenue Code.

## TITLE I—INDIVIDUAL AND CORPORATION INCOME TAXES AND WITHHOLDING OF TAX AT SOURCE ON WAGES

### SEC. 101. TAXABLE YEARS TO WHICH AMENDMENTS APPLICABLE.

Except as otherwise expressly provided, the amendments made by this title shall be applicable only with respect to taxable years beginning after December 31, 1943.

### SEC. 102. ALTERNATIVE TAX ON INDIVIDUALS WITH GROSS INCOME FROM CERTAIN SOURCES OF LESS THAN \$3,000.

(a) IN GENERAL.—Section 400 (relating to optional tax) is amended to read as follows:

53 Stat., Part 1.  
26 U. S. C., 26  
U. S. C., Supp. III.

55 Stat. 689.  
26 U. S. C., Supp.  
III, § 400.  
Post, pp. 232, 647.

“SEC. 400. IMPOSITION OF TAX.

“In lieu of the tax imposed under sections 11, 12, and 450, an individual who makes his return on the cash basis may elect, for each taxable year, to pay the tax shown in the following table if his gross income for such taxable year is less than \$3,000 and consists wholly of one or more of the following: Salary, wages, compensation for personal services, dividends, interest, or annuities:

53 Stat. 5; 56 Stat. 884.  
26 U. S. C. § 12; Supp. III, §§ 11, 12, 450.  
Post, pp. 31, 231, 232, 234.

|                          |               | “Single person (not head of family) |     |     |     |     |     |     |           |
|--------------------------|---------------|-------------------------------------|-----|-----|-----|-----|-----|-----|-----------|
| “If the gross income is— |               | And the number of dependents is—    |     |     |     |     |     |     |           |
|                          |               | 0                                   | 1   | 2   | 3   | 4   | 5   | 6   | 7 or more |
| At least                 | But less than | The tax shall be—                   |     |     |     |     |     |     |           |
|                          |               | \$0                                 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0       |
| \$0                      | \$525         | \$0                                 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0       |
| 525                      | 550           | 1                                   | 0   | 0   | 0   | 0   | 0   | 0   | 0         |
| 550                      | 575           | 5                                   | 0   | 0   | 0   | 0   | 0   | 0   | 0         |
| 575                      | 600           | 10                                  | 0   | 0   | 0   | 0   | 0   | 0   | 0         |
| 600                      | 625           | 14                                  | 0   | 0   | 0   | 0   | 0   | 0   | 0         |
| 625                      | 650           | 19                                  | 0   | 0   | 0   | 0   | 0   | 0   | 0         |
| 650                      | 675           | 24                                  | 1   | 1   | 1   | 1   | 1   | 1   | 1         |
| 675                      | 700           | 30                                  | 2   | 2   | 2   | 2   | 2   | 2   | 2         |
| 700                      | 725           | 35                                  | 3   | 3   | 3   | 3   | 3   | 3   | 3         |
| 725                      | 750           | 40                                  | 3   | 3   | 3   | 3   | 3   | 3   | 3         |
| 750                      | 775           | 45                                  | 4   | 4   | 4   | 4   | 4   | 4   | 4         |
| 775                      | 800           | 51                                  | 4   | 4   | 4   | 4   | 4   | 4   | 4         |
| 800                      | 825           | 56                                  | 5   | 5   | 5   | 5   | 5   | 5   | 5         |
| 825                      | 850           | 61                                  | 6   | 6   | 6   | 6   | 6   | 6   | 6         |
| 850                      | 875           | 66                                  | 7   | 7   | 7   | 7   | 7   | 7   | 7         |
| 875                      | 900           | 71                                  | 8   | 8   | 8   | 8   | 8   | 8   | 8         |
| 900                      | 925           | 77                                  | 10  | 9   | 9   | 9   | 9   | 9   | 9         |
| 925                      | 950           | 82                                  | 15  | 9   | 9   | 9   | 9   | 9   | 9         |
| 950                      | 975           | 87                                  | 21  | 10  | 10  | 10  | 10  | 10  | 10        |
| 975                      | 1,000         | 92                                  | 26  | 11  | 11  | 11  | 11  | 11  | 11        |
| 1,000                    | 1,025         | 97                                  | 31  | 12  | 12  | 12  | 12  | 12  | 12        |
| 1,025                    | 1,050         | 103                                 | 36  | 12  | 12  | 12  | 12  | 12  | 12        |
| 1,050                    | 1,075         | 108                                 | 41  | 13  | 13  | 13  | 13  | 13  | 13        |
| 1,075                    | 1,100         | 113                                 | 47  | 14  | 14  | 14  | 14  | 14  | 14        |
| 1,100                    | 1,125         | 118                                 | 52  | 15  | 15  | 15  | 15  | 15  | 15        |
| 1,125                    | 1,150         | 124                                 | 57  | 15  | 15  | 15  | 15  | 15  | 15        |
| 1,150                    | 1,175         | 129                                 | 62  | 16  | 16  | 16  | 16  | 16  | 16        |
| 1,175                    | 1,200         | 134                                 | 67  | 17  | 17  | 17  | 17  | 17  | 17        |
| 1,200                    | 1,225         | 139                                 | 73  | 18  | 18  | 18  | 18  | 18  | 18        |
| 1,225                    | 1,250         | 144                                 | 78  | 18  | 18  | 18  | 18  | 18  | 18        |
| 1,250                    | 1,275         | 150                                 | 83  | 19  | 19  | 19  | 19  | 19  | 19        |
| 1,275                    | 1,300         | 155                                 | 88  | 22  | 20  | 20  | 20  | 20  | 20        |
| 1,300                    | 1,325         | 160                                 | 94  | 27  | 21  | 21  | 21  | 21  | 21        |
| 1,325                    | 1,350         | 165                                 | 99  | 32  | 21  | 21  | 21  | 21  | 21        |
| 1,350                    | 1,375         | 170                                 | 104 | 37  | 22  | 22  | 22  | 22  | 22        |
| 1,375                    | 1,400         | 176                                 | 109 | 43  | 23  | 23  | 23  | 23  | 23        |
| 1,400                    | 1,425         | 181                                 | 114 | 48  | 24  | 24  | 24  | 24  | 24        |
| 1,425                    | 1,450         | 186                                 | 120 | 53  | 24  | 24  | 24  | 24  | 24        |
| 1,450                    | 1,475         | 191                                 | 125 | 58  | 25  | 25  | 25  | 25  | 25        |
| 1,475                    | 1,500         | 197                                 | 130 | 64  | 26  | 26  | 26  | 26  | 26        |
| 1,500                    | 1,525         | 202                                 | 135 | 69  | 27  | 27  | 27  | 27  | 27        |
| 1,525                    | 1,550         | 207                                 | 141 | 74  | 27  | 27  | 27  | 27  | 27        |
| 1,550                    | 1,575         | 212                                 | 146 | 79  | 28  | 28  | 28  | 28  | 28        |
| 1,575                    | 1,600         | 217                                 | 151 | 84  | 29  | 29  | 29  | 29  | 29        |
| 1,600                    | 1,625         | 223                                 | 156 | 90  | 30  | 30  | 30  | 30  | 30        |
| 1,625                    | 1,650         | 228                                 | 161 | 95  | 30  | 30  | 30  | 30  | 30        |
| 1,650                    | 1,675         | 233                                 | 167 | 100 | 34  | 31  | 31  | 31  | 31        |
| 1,675                    | 1,700         | 238                                 | 172 | 105 | 39  | 32  | 32  | 32  | 32        |
| 1,700                    | 1,725         | 244                                 | 177 | 111 | 44  | 33  | 33  | 33  | 33        |
| 1,725                    | 1,750         | 249                                 | 182 | 116 | 49  | 33  | 33  | 33  | 33        |
| 1,750                    | 1,775         | 254                                 | 187 | 121 | 54  | 34  | 34  | 34  | 34        |
| 1,775                    | 1,800         | 259                                 | 193 | 126 | 60  | 35  | 35  | 35  | 35        |
| 1,800                    | 1,825         | 264                                 | 198 | 131 | 65  | 36  | 36  | 36  | 36        |
| 1,825                    | 1,850         | 270                                 | 203 | 137 | 70  | 36  | 36  | 36  | 36        |
| 1,850                    | 1,875         | 275                                 | 208 | 142 | 75  | 37  | 37  | 37  | 37        |
| 1,875                    | 1,900         | 280                                 | 214 | 147 | 81  | 38  | 38  | 38  | 38        |
| 1,900                    | 1,925         | 285                                 | 219 | 152 | 86  | 39  | 39  | 39  | 39        |
| 1,925                    | 1,950         | 290                                 | 224 | 157 | 91  | 39  | 39  | 39  | 39        |
| 1,950                    | 1,975         | 296                                 | 229 | 163 | 96  | 40  | 40  | 40  | 40        |
| 1,975                    | 2,000         | 301                                 | 234 | 168 | 101 | 41  | 41  | 41  | 41        |
| 2,000                    | 2,025         | 306                                 | 240 | 173 | 107 | 42  | 42  | 42  | 42        |
| 2,025                    | 2,050         | 311                                 | 245 | 178 | 112 | 45  | 42  | 42  | 42        |
| 2,050                    | 2,075         | 317                                 | 250 | 184 | 117 | 51  | 43  | 43  | 43        |
| 2,075                    | 2,100         | 322                                 | 255 | 189 | 122 | 56  | 44  | 44  | 44        |
| 2,100                    | 2,125         | 327                                 | 260 | 194 | 127 | 61  | 45  | 45  | 45        |
| 2,125                    | 2,150         | 332                                 | 266 | 199 | 133 | 66  | 45  | 45  | 45        |
| 2,150                    | 2,175         | 337                                 | 271 | 204 | 138 | 71  | 46  | 46  | 46        |
| 2,175                    | 2,200         | 343                                 | 276 | 210 | 143 | 77  | 47  | 47  | 47        |
| 2,200                    | 2,225         | 348                                 | 281 | 215 | 148 | 82  | 48  | 48  | 48        |
| 2,225                    | 2,250         | 353                                 | 287 | 220 | 154 | 87  | 48  | 48  | 48        |
| 2,250                    | 2,275         | 358                                 | 292 | 225 | 159 | 92  | 49  | 49  | 49        |
| 2,275                    | 2,300         | 363                                 | 297 | 230 | 164 | 97  | 50  | 50  | 50        |

“Single person (not head of family)—Continued

| “If the gross income<br>is— |                  | And the number of dependents is— |       |       |       |       |      |      |           |
|-----------------------------|------------------|----------------------------------|-------|-------|-------|-------|------|------|-----------|
|                             |                  | 0                                | 1     | 2     | 3     | 4     | 5    | 6    | 7 or more |
| At least                    | But less<br>than | The tax shall be—                |       |       |       |       |      |      |           |
| \$2,300                     | \$2,325          | \$369                            | \$302 | \$236 | \$169 | \$103 | \$51 | \$51 | \$51      |
| 2,325                       | 2,350            | 374                              | 307   | 241   | 174   | 108   | 51   | 51   | 51        |
| 2,350                       | 2,375            | 379                              | 313   | 246   | 180   | 113   | 52   | 52   | 52        |
| 2,375                       | 2,400            | 384                              | 318   | 251   | 185   | 118   | 53   | 53   | 53        |
| 2,400                       | 2,425            | 390                              | 323   | 257   | 190   | 124   | 57   | 54   | 54        |
| 2,425                       | 2,450            | 395                              | 328   | 262   | 195   | 129   | 62   | 54   | 54        |
| 2,450                       | 2,475            | 400                              | 333   | 267   | 200   | 134   | 67   | 55   | 55        |
| 2,475                       | 2,500            | 405                              | 339   | 272   | 206   | 139   | 73   | 56   | 56        |
| 2,500                       | 2,525            | 410                              | 344   | 277   | 211   | 144   | 78   | 57   | 57        |
| 2,525                       | 2,550            | 416                              | 349   | 283   | 216   | 150   | 83   | 57   | 57        |
| 2,550                       | 2,575            | 421                              | 354   | 288   | 221   | 155   | 88   | 58   | 58        |
| 2,575                       | 2,600            | 426                              | 360   | 293   | 227   | 160   | 94   | 59   | 59        |
| 2,600                       | 2,625            | 431                              | 365   | 298   | 232   | 165   | 99   | 60   | 60        |
| 2,625                       | 2,650            | 436                              | 370   | 303   | 237   | 170   | 104  | 60   | 60        |
| 2,650                       | 2,675            | 442                              | 375   | 309   | 242   | 176   | 109  | 61   | 61        |
| 2,675                       | 2,700            | 448                              | 380   | 314   | 247   | 181   | 114  | 62   | 62        |
| 2,700                       | 2,725            | 454                              | 386   | 319   | 253   | 186   | 120  | 63   | 63        |
| 2,725                       | 2,750            | 460                              | 391   | 324   | 258   | 191   | 125  | 63   | 63        |
| 2,750                       | 2,775            | 465                              | 396   | 330   | 263   | 197   | 130  | 64   | 64        |
| 2,775                       | 2,800            | 471                              | 401   | 335   | 268   | 202   | 135  | 69   | 65        |
| 2,800                       | 2,825            | 477                              | 406   | 340   | 273   | 207   | 140  | 74   | 66        |
| 2,825                       | 2,850            | 483                              | 412   | 345   | 279   | 212   | 146  | 79   | 67        |
| 2,850                       | 2,875            | 489                              | 417   | 350   | 284   | 217   | 151  | 84   | 67        |
| 2,875                       | 2,900            | 495                              | 422   | 356   | 289   | 223   | 156  | 90   | 68        |
| 2,900                       | 2,925            | 501                              | 427   | 361   | 294   | 228   | 161  | 95   | 69        |
| 2,925                       | 2,950            | 507                              | 433   | 366   | 300   | 233   | 167  | 100  | 69        |
| 2,950                       | 2,975            | 513                              | 438   | 371   | 305   | 238   | 172  | 105  | 70        |
| 2,975                       | 3,000            | 519                              | 443   | 376   | 310   | 243   | 177  | 110  | 71        |

“Married person making separate return

| “If the gross income<br>is— |                  | And the number of dependents is— |     |     |     |     |     |     |           |
|-----------------------------|------------------|----------------------------------|-----|-----|-----|-----|-----|-----|-----------|
|                             |                  | 0                                | 1   | 2   | 3   | 4   | 5   | 6   | 7 or more |
| At least                    | But less<br>than | The tax shall be—                |     |     |     |     |     |     |           |
| \$0                         | \$650            | \$0                              | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0       |
| 650                         | 675              | 5                                | 1   | 1   | 1   | 1   | 1   | 1   | 1         |
| 675                         | 700              | 11                               | 2   | 2   | 2   | 2   | 2   | 2   | 2         |
| 700                         | 725              | 16                               | 3   | 3   | 3   | 3   | 3   | 3   | 3         |
| 725                         | 750              | 21                               | 3   | 3   | 3   | 3   | 3   | 3   | 3         |
| 750                         | 775              | 26                               | 4   | 4   | 4   | 4   | 4   | 4   | 4         |
| 775                         | 800              | 32                               | 5   | 5   | 5   | 5   | 5   | 5   | 5         |
| 800                         | 825              | 37                               | 6   | 6   | 6   | 6   | 6   | 6   | 6         |
| 825                         | 850              | 42                               | 6   | 6   | 6   | 6   | 6   | 6   | 6         |
| 850                         | 875              | 47                               | 7   | 7   | 7   | 7   | 7   | 7   | 7         |
| 875                         | 900              | 52                               | 8   | 8   | 8   | 8   | 8   | 8   | 8         |
| 900                         | 925              | 58                               | 9   | 9   | 9   | 9   | 9   | 9   | 9         |
| 925                         | 950              | 63                               | 9   | 9   | 9   | 9   | 9   | 9   | 9         |
| 950                         | 975              | 68                               | 10  | 10  | 10  | 10  | 10  | 10  | 10        |
| 975                         | 1,000            | 73                               | 11  | 11  | 11  | 11  | 11  | 11  | 11        |
| 1,000                       | 1,025            | 78                               | 12  | 12  | 12  | 12  | 12  | 12  | 12        |
| 1,025                       | 1,050            | 84                               | 17  | 12  | 12  | 12  | 12  | 12  | 12        |
| 1,050                       | 1,075            | 89                               | 22  | 13  | 13  | 13  | 13  | 13  | 13        |
| 1,075                       | 1,100            | 94                               | 28  | 14  | 14  | 14  | 14  | 14  | 14        |
| 1,100                       | 1,125            | 99                               | 33  | 15  | 15  | 15  | 15  | 15  | 15        |
| 1,125                       | 1,150            | 105                              | 38  | 15  | 15  | 15  | 15  | 15  | 15        |
| 1,150                       | 1,175            | 110                              | 43  | 16  | 16  | 16  | 16  | 16  | 16        |
| 1,175                       | 1,200            | 115                              | 48  | 17  | 17  | 17  | 17  | 17  | 17        |
| 1,200                       | 1,225            | 120                              | 54  | 18  | 18  | 18  | 18  | 18  | 18        |
| 1,225                       | 1,250            | 125                              | 59  | 18  | 18  | 18  | 18  | 18  | 18        |
| 1,250                       | 1,275            | 131                              | 64  | 19  | 19  | 19  | 19  | 19  | 19        |
| 1,275                       | 1,300            | 136                              | 69  | 20  | 20  | 20  | 20  | 20  | 20        |
| 1,300                       | 1,325            | 141                              | 75  | 21  | 21  | 21  | 21  | 21  | 21        |
| 1,325                       | 1,350            | 146                              | 80  | 21  | 21  | 21  | 21  | 21  | 21        |
| 1,350                       | 1,375            | 151                              | 85  | 22  | 22  | 22  | 22  | 22  | 22        |
| 1,375                       | 1,400            | 157                              | 90  | 24  | 23  | 23  | 23  | 23  | 23        |
| 1,400                       | 1,425            | 162                              | 95  | 29  | 24  | 24  | 24  | 24  | 24        |
| 1,425                       | 1,450            | 167                              | 101 | 34  | 24  | 24  | 24  | 24  | 24        |
| 1,450                       | 1,475            | 172                              | 106 | 39  | 25  | 25  | 25  | 25  | 25        |
| 1,475                       | 1,500            | 178                              | 111 | 45  | 26  | 26  | 26  | 26  | 26        |
| 1,500                       | 1,525            | 183                              | 116 | 50  | 27  | 27  | 27  | 27  | 27        |
| 1,525                       | 1,550            | 188                              | 122 | 55  | 27  | 27  | 27  | 27  | 27        |
| 1,550                       | 1,575            | 193                              | 127 | 60  | 28  | 28  | 28  | 28  | 28        |
| 1,575                       | 1,600            | 198                              | 132 | 65  | 29  | 29  | 29  | 29  | 29        |
| 1,600                       | 1,625            | 204                              | 137 | 71  | 30  | 30  | 30  | 30  | 30        |
| 1,625                       | 1,650            | 209                              | 142 | 76  | 30  | 30  | 30  | 30  | 30        |
| 1,650                       | 1,675            | 214                              | 148 | 81  | 31  | 31  | 31  | 31  | 31        |



“Married person making separate return—Continued

| “If the gross income is— |               | And the number of dependents is— |       |      |      |      |      |      |           |
|--------------------------|---------------|----------------------------------|-------|------|------|------|------|------|-----------|
|                          |               | 0                                | 1     | 2    | 3    | 4    | 5    | 6    | 7 or more |
| At least                 | But less than | The tax shall be—                |       |      |      |      |      |      |           |
| \$1, 675                 | \$1, 700      | \$219                            | \$153 | \$86 | \$32 | \$32 | \$32 | \$32 | \$32      |
| 1, 700                   | 1, 725        | 225                              | 158   | 92   | 33   | 33   | 33   | 33   | 33        |
| 1, 725                   | 1, 750        | 230                              | 163   | 97   | 33   | 33   | 33   | 33   | 33        |
| 1, 750                   | 1, 775        | 235                              | 168   | 102  | 35   | 34   | 34   | 34   | 34        |
| 1, 775                   | 1, 800        | 240                              | 174   | 107  | 41   | 35   | 35   | 35   | 35        |
| 1, 800                   | 1, 825        | 245                              | 179   | 112  | 46   | 36   | 36   | 36   | 36        |
| 1, 825                   | 1, 850        | 251                              | 184   | 118  | 51   | 36   | 36   | 36   | 36        |
| 1, 850                   | 1, 875        | 256                              | 189   | 123  | 56   | 37   | 37   | 37   | 37        |
| 1, 875                   | 1, 900        | 261                              | 195   | 128  | 62   | 38   | 38   | 38   | 38        |
| 1, 900                   | 1, 925        | 266                              | 200   | 133  | 67   | 39   | 39   | 39   | 39        |
| 1, 925                   | 1, 950        | 271                              | 205   | 138  | 72   | 39   | 39   | 39   | 39        |
| 1, 950                   | 1, 975        | 277                              | 210   | 144  | 77   | 40   | 40   | 40   | 40        |
| 1, 975                   | 2, 000        | 282                              | 215   | 149  | 82   | 41   | 41   | 41   | 41        |
| 2, 000                   | 2, 025        | 287                              | 221   | 154  | 88   | 42   | 42   | 42   | 42        |
| 2, 025                   | 2, 050        | 292                              | 226   | 159  | 93   | 42   | 42   | 42   | 42        |
| 2, 050                   | 2, 075        | 298                              | 231   | 165  | 98   | 43   | 43   | 43   | 43        |
| 2, 075                   | 2, 100        | 303                              | 236   | 170  | 103  | 44   | 44   | 44   | 44        |
| 2, 100                   | 2, 125        | 308                              | 241   | 175  | 108  | 45   | 45   | 45   | 45        |
| 2, 125                   | 2, 150        | 313                              | 247   | 180  | 114  | 47   | 45   | 45   | 45        |
| 2, 150                   | 2, 175        | 318                              | 252   | 185  | 119  | 52   | 46   | 46   | 46        |
| 2, 175                   | 2, 200        | 324                              | 257   | 191  | 124  | 58   | 47   | 47   | 47        |
| 2, 200                   | 2, 225        | 329                              | 262   | 196  | 129  | 63   | 48   | 48   | 48        |
| 2, 225                   | 2, 250        | 334                              | 268   | 201  | 135  | 68   | 48   | 48   | 48        |
| 2, 250                   | 2, 275        | 339                              | 273   | 206  | 140  | 73   | 49   | 49   | 49        |
| 2, 275                   | 2, 300        | 344                              | 278   | 211  | 145  | 78   | 50   | 50   | 50        |
| 2, 300                   | 2, 325        | 350                              | 283   | 217  | 150  | 84   | 51   | 51   | 51        |
| 2, 325                   | 2, 350        | 355                              | 288   | 222  | 155  | 89   | 51   | 51   | 51        |
| 2, 350                   | 2, 375        | 360                              | 294   | 227  | 161  | 94   | 52   | 52   | 52        |
| 2, 375                   | 2, 400        | 365                              | 299   | 232  | 166  | 99   | 53   | 53   | 53        |
| 2, 400                   | 2, 425        | 371                              | 304   | 238  | 171  | 105  | 54   | 54   | 54        |
| 2, 425                   | 2, 450        | 376                              | 309   | 243  | 176  | 110  | 54   | 54   | 54        |
| 2, 450                   | 2, 475        | 381                              | 314   | 248  | 181  | 115  | 55   | 55   | 55        |
| 2, 475                   | 2, 500        | 386                              | 320   | 253  | 187  | 120  | 56   | 56   | 56        |
| 2, 500                   | 2, 525        | 391                              | 325   | 258  | 192  | 125  | 59   | 57   | 57        |
| 2, 525                   | 2, 550        | 397                              | 330   | 264  | 197  | 131  | 64   | 57   | 57        |
| 2, 550                   | 2, 575        | 402                              | 335   | 269  | 202  | 136  | 69   | 58   | 58        |
| 2, 575                   | 2, 600        | 407                              | 341   | 274  | 208  | 141  | 75   | 59   | 59        |
| 2, 600                   | 2, 625        | 412                              | 346   | 279  | 213  | 146  | 80   | 60   | 60        |
| 2, 625                   | 2, 650        | 417                              | 351   | 284  | 218  | 151  | 85   | 60   | 60        |
| 2, 650                   | 2, 675        | 423                              | 356   | 290  | 223  | 157  | 90   | 61   | 61        |
| 2, 675                   | 2, 700        | 428                              | 361   | 295  | 228  | 162  | 95   | 62   | 62        |
| 2, 700                   | 2, 725        | 433                              | 367   | 300  | 234  | 167  | 101  | 63   | 63        |
| 2, 725                   | 2, 750        | 438                              | 372   | 305  | 239  | 172  | 106  | 63   | 63        |
| 2, 750                   | 2, 775        | 444                              | 377   | 311  | 244  | 178  | 111  | 64   | 64        |
| 2, 775                   | 2, 800        | 449                              | 382   | 316  | 249  | 183  | 116  | 65   | 65        |
| 2, 800                   | 2, 825        | 455                              | 387   | 321  | 254  | 188  | 121  | 66   | 66        |
| 2, 825                   | 2, 850        | 461                              | 393   | 326  | 260  | 193  | 127  | 66   | 66        |
| 2, 850                   | 2, 875        | 467                              | 398   | 331  | 265  | 198  | 132  | 67   | 67        |
| 2, 875                   | 2, 900        | 473                              | 403   | 337  | 270  | 204  | 137  | 71   | 68        |
| 2, 900                   | 2, 925        | 479                              | 408   | 342  | 275  | 209  | 142  | 76   | 69        |
| 2, 925                   | 2, 950        | 485                              | 414   | 347  | 281  | 214  | 148  | 81   | 69        |
| 2, 950                   | 2, 975        | 491                              | 419   | 352  | 286  | 219  | 153  | 86   | 70        |
| 2, 975                   | 3, 000        | 497                              | 424   | 357  | 291  | 224  | 158  | 91   | 71        |

“(1) Married person whose spouse has no gross income or (2) married person making joint return or (3) head of family

| “If the gross income is— |               | And the number of dependents is— |     |     |     |     |           |
|--------------------------|---------------|----------------------------------|-----|-----|-----|-----|-----------|
|                          |               | 0                                | 1   | 2   | 3   | 4   | 5 or more |
| At least                 | But less than | The tax shall be—                |     |     |     |     |           |
| \$0                      | \$650         | \$0                              | \$0 | \$0 | \$0 | \$0 | \$0       |
| 650                      | 675           | 1                                | 1   | 1   | 1   | 1   | 1         |
| 675                      | 700           | 2                                | 2   | 2   | 2   | 2   | 2         |
| 700                      | 725           | 3                                | 3   | 3   | 3   | 3   | 3         |
| 725                      | 750           | 3                                | 3   | 3   | 3   | 3   | 3         |
| 750                      | 775           | 4                                | 4   | 4   | 4   | 4   | 4         |
| 775                      | 800           | 5                                | 5   | 5   | 5   | 5   | 5         |
| 800                      | 825           | 6                                | 6   | 6   | 6   | 6   | 6         |
| 825                      | 850           | 6                                | 6   | 6   | 6   | 6   | 6         |
| 850                      | 875           | 7                                | 7   | 7   | 7   | 7   | 7         |
| 875                      | 900           | 8                                | 8   | 8   | 8   | 8   | 8         |
| 900                      | 925           | 9                                | 9   | 9   | 9   | 9   | 9         |
| 925                      | 950           | 9                                | 9   | 9   | 9   | 9   | 9         |
| 950                      | 975           | 10                               | 10  | 10  | 10  | 10  | 10        |
| 975                      | 1, 000        | 11                               | 11  | 11  | 11  | 11  | 11        |
| 1, 000                   | 1, 025        | 12                               | 12  | 12  | 12  | 12  | 12        |

"(1) Married person whose spouse has no gross income or (2) married person making joint return or (3) head of family—Continued

| *If the gross income is— |               | And the number of dependents is— |      |      |      |      |           |
|--------------------------|---------------|----------------------------------|------|------|------|------|-----------|
|                          |               | 0                                | 1    | 2    | 3    | 4    | 5 or more |
| At least                 | But less than | The tax shall be—                |      |      |      |      |           |
| \$1,025                  | \$1,050       | \$12                             | \$12 | \$12 | \$12 | \$12 | \$12      |
| 1,050                    | 1,075         | 13                               | 13   | 13   | 13   | 13   | 13        |
| 1,075                    | 1,100         | 14                               | 14   | 14   | 14   | 14   | 14        |
| 1,100                    | 1,125         | 15                               | 15   | 15   | 15   | 15   | 15        |
| 1,125                    | 1,150         | 15                               | 15   | 15   | 15   | 15   | 15        |
| 1,150                    | 1,175         | 16                               | 16   | 16   | 16   | 16   | 16        |
| 1,175                    | 1,200         | 17                               | 17   | 17   | 17   | 17   | 17        |
| 1,200                    | 1,225         | 18                               | 18   | 18   | 18   | 18   | 18        |
| 1,225                    | 1,250         | 18                               | 18   | 18   | 18   | 18   | 18        |
| 1,250                    | 1,275         | 19                               | 19   | 19   | 19   | 19   | 19        |
| 1,275                    | 1,300         | 22                               | 20   | 20   | 20   | 20   | 20        |
| 1,300                    | 1,325         | 27                               | 21   | 21   | 21   | 21   | 21        |
| 1,325                    | 1,350         | 32                               | 21   | 21   | 21   | 21   | 21        |
| 1,350                    | 1,375         | 37                               | 22   | 22   | 22   | 22   | 22        |
| 1,375                    | 1,400         | 43                               | 23   | 23   | 23   | 23   | 23        |
| 1,400                    | 1,425         | 48                               | 24   | 24   | 24   | 24   | 24        |
| 1,425                    | 1,450         | 53                               | 24   | 24   | 24   | 24   | 24        |
| 1,450                    | 1,475         | 58                               | 25   | 25   | 25   | 25   | 25        |
| 1,475                    | 1,500         | 64                               | 26   | 26   | 26   | 26   | 26        |
| 1,500                    | 1,525         | 69                               | 27   | 27   | 27   | 27   | 27        |
| 1,525                    | 1,550         | 74                               | 27   | 27   | 27   | 27   | 27        |
| 1,550                    | 1,575         | 79                               | 28   | 28   | 28   | 28   | 28        |
| 1,575                    | 1,600         | 84                               | 29   | 29   | 29   | 29   | 29        |
| 1,600                    | 1,625         | 90                               | 30   | 30   | 30   | 30   | 30        |
| 1,625                    | 1,650         | 95                               | 30   | 30   | 30   | 30   | 30        |
| 1,650                    | 1,675         | 100                              | 34   | 31   | 31   | 31   | 31        |
| 1,675                    | 1,700         | 105                              | 39   | 32   | 32   | 32   | 32        |
| 1,700                    | 1,725         | 111                              | 44   | 33   | 33   | 33   | 33        |
| 1,725                    | 1,750         | 116                              | 49   | 33   | 33   | 33   | 33        |
| 1,750                    | 1,775         | 121                              | 54   | 34   | 34   | 34   | 34        |
| 1,775                    | 1,800         | 126                              | 60   | 35   | 35   | 35   | 35        |
| 1,800                    | 1,825         | 131                              | 65   | 36   | 36   | 36   | 36        |
| 1,825                    | 1,850         | 137                              | 70   | 36   | 36   | 36   | 36        |
| 1,850                    | 1,875         | 142                              | 75   | 37   | 37   | 37   | 37        |
| 1,875                    | 1,900         | 147                              | 81   | 38   | 38   | 38   | 38        |
| 1,900                    | 1,925         | 152                              | 86   | 39   | 39   | 39   | 39        |
| 1,925                    | 1,950         | 157                              | 91   | 39   | 39   | 39   | 39        |
| 1,950                    | 1,975         | 163                              | 96   | 40   | 40   | 40   | 40        |
| 1,975                    | 2,000         | 168                              | 101  | 41   | 41   | 41   | 41        |
| 2,000                    | 2,025         | 173                              | 107  | 42   | 42   | 42   | 42        |
| 2,025                    | 2,050         | 178                              | 112  | 45   | 42   | 42   | 42        |
| 2,050                    | 2,075         | 184                              | 117  | 51   | 43   | 43   | 43        |
| 2,075                    | 2,100         | 189                              | 122  | 56   | 44   | 44   | 44        |
| 2,100                    | 2,125         | 194                              | 127  | 61   | 45   | 45   | 45        |
| 2,125                    | 2,150         | 199                              | 133  | 66   | 45   | 45   | 45        |
| 2,150                    | 2,175         | 204                              | 138  | 71   | 46   | 46   | 46        |
| 2,175                    | 2,200         | 210                              | 143  | 77   | 47   | 47   | 47        |
| 2,200                    | 2,225         | 215                              | 148  | 82   | 48   | 48   | 48        |
| 2,225                    | 2,250         | 220                              | 154  | 87   | 48   | 48   | 48        |
| 2,250                    | 2,275         | 225                              | 159  | 92   | 49   | 49   | 49        |
| 2,275                    | 2,300         | 230                              | 164  | 97   | 50   | 50   | 50        |
| 2,300                    | 2,325         | 236                              | 169  | 103  | 51   | 51   | 51        |
| 2,325                    | 2,350         | 241                              | 174  | 108  | 51   | 51   | 51        |
| 2,350                    | 2,375         | 246                              | 180  | 113  | 52   | 52   | 52        |
| 2,375                    | 2,400         | 251                              | 185  | 118  | 53   | 53   | 53        |
| 2,400                    | 2,425         | 257                              | 190  | 124  | 57   | 54   | 54        |
| 2,425                    | 2,450         | 262                              | 195  | 129  | 62   | 54   | 54        |
| 2,450                    | 2,475         | 267                              | 200  | 134  | 67   | 55   | 55        |
| 2,475                    | 2,500         | 272                              | 206  | 139  | 73   | 56   | 56        |
| 2,500                    | 2,525         | 277                              | 211  | 144  | 78   | 57   | 57        |
| 2,525                    | 2,550         | 283                              | 216  | 150  | 83   | 57   | 57        |
| 2,550                    | 2,575         | 288                              | 221  | 155  | 88   | 58   | 58        |
| 2,575                    | 2,600         | 293                              | 227  | 160  | 94   | 59   | 59        |
| 2,600                    | 2,625         | 298                              | 232  | 165  | 99   | 60   | 60        |
| 2,625                    | 2,650         | 303                              | 237  | 170  | 104  | 60   | 60        |
| 2,650                    | 2,675         | 309                              | 242  | 176  | 109  | 61   | 61        |
| 2,675                    | 2,700         | 314                              | 247  | 181  | 114  | 62   | 62        |
| 2,700                    | 2,725         | 319                              | 253  | 186  | 120  | 63   | 63        |
| 2,725                    | 2,750         | 324                              | 258  | 191  | 125  | 63   | 63        |
| 2,750                    | 2,775         | 330                              | 263  | 197  | 130  | 64   | 64        |
| 2,775                    | 2,800         | 335                              | 268  | 202  | 135  | 64   | 64        |
| 2,800                    | 2,825         | 340                              | 273  | 207  | 140  | 65   | 65        |
| 2,825                    | 2,850         | 345                              | 279  | 212  | 146  | 74   | 66        |
| 2,850                    | 2,875         | 350                              | 284  | 217  | 151  | 79   | 66        |
| 2,875                    | 2,900         | 356                              | 289  | 223  | 156  | 84   | 67        |
| 2,900                    | 2,925         | 361                              | 294  | 228  | 161  | 90   | 68        |
| 2,925                    | 2,950         | 366                              | 300  | 233  | 167  | 95   | 69        |
| 2,950                    | 2,975         | 371                              | 305  | 238  | 172  | 100  | 69        |
| 2,975                    | 3,000         | 376                              | 310  | 243  | 177  | 105  | 70        |
|                          |               |                                  |      |      |      | 110  | 71        |

\*\* Joint returns.—If a joint return of husband and wife is filed, the amount of tax shown in the above table shall be reduced by 3 per centum of the smaller income of the two spouses, but not by more than \$19."

(b) **TECHNICAL AMENDMENT.**—Section 404 (relating to certain taxpayers ineligible to compute tax under alternative method) is amended by inserting after “nonresident alien individual,” the following: “to a citizen of the United States entitled to the benefits of section 251.”

55 Stat. 692.  
26 U. S. C., Supp.  
III, § 404.  
*Post*, p. 234.  
53 Stat. 79.  
26 U. S. C. § 251;  
Supp. III, § 251.  
*Post*, p. 240.

#### SEC. 103. DETERMINATION OF STATUS FOR PURPOSES OF PERSONAL EXEMPTION AND CREDIT FOR DEPENDENTS.

Section 25 (b) (relating to credits for both normal tax and surtax) is amended by striking out paragraph (3) and inserting in lieu thereof the following:

53 Stat. 18.  
26 U. S. C. § 25 (b)  
(3).  
*Post*, p. 238.

“(3) **Determination of Status.**—For the purpose of determining the amount of the personal exemption and credit for dependents, the status of the taxpayer shall be determined as of July 1 of the taxable year, unless the taxable year does not include July 1, in which case such status shall be determined as of the last day of the taxable year.”

#### SEC. 104. REDUCTION OF CREDITS IN CASE OF SHORT YEAR LIMITED TO JEOPARDY.

Section 47 (e) (relating to reduction of personal exemption and credit for dependents in case of short taxable year) is amended by striking out “, except a return made under subsection (a), on account of a change in the accounting period” and inserting in lieu thereof “under section 146 (a) (1)”.

53 Stat. 26.  
26 U. S. C. § 47 (e).  
*Post*, p. 239.

53 Stat. 63.  
26 U. S. C. § 146 (a)  
(1).

#### SEC. 105. RETURNS OF INCOME.

(a) **INDIVIDUAL RETURNS.**—Section 51 (relating to individual returns) is amended by inserting at the end thereof the following:

53 Stat. 27.  
26 U. S. C. § 51;  
Supp. III, § 51.  
*Post*, p. 240.

“(f) **Determination of Status.**—For the purposes of this section and section 142 (a), the determination of whether an individual is married and living with husband or wife shall be made as of July 1 of the taxable year, unless the taxable year does not include July 1, in which case such determination shall be made as of the last day of the taxable year.”

53 Stat. 60.  
26 U. S. C., Supp.  
III, § 142 (a).  
*Post*, p. 241.

(b) **JOINT RETURNS.**—Section 51 (b) (relating to joint returns) is amended by inserting before the period at the end thereof “or if husband and wife have different taxable years”.

53 Stat. 27.  
26 U. S. C. § 51 (b).  
*Post*, p. 240.

#### SEC. 106. VICTORY TAX.

(a) **CHANGE IN RATE.**—Section 450 (imposing the Victory tax) is amended by striking out “5 per centum” and inserting in lieu thereof “3 per centum”.

56 Stat. 884.  
26 U. S. C., Supp.  
III, § 450.  
*Post*, p. 234.

(b) **REPEAL OF CREDITS AGAINST VICTORY TAX.**—Section 453 (relating to credits against the Victory tax) is repealed.

56 Stat. 885.  
26 U. S. C., Supp.  
III, § 453.  
*Post*, p. 234.

(c) **TECHNICAL AMENDMENTS.**—

(1) Section 456 (relating to the 90 per centum limitation) is amended (A) by striking out “, computed without regard to the credits provided in sections 453 and 466 (e),” and (B) by striking out “35 and 466 (e)” and inserting in lieu thereof “and 35”.

56 Stat. 887.  
26 U. S. C., Supp.  
III, § 456.  
*Post*, p. 234.

(2) Section 34 (cross reference) is repealed.

56 Stat. 893.  
26 U. S. C., Supp.  
III, § 34.

#### SEC. 107. REPEAL OF EARNED INCOME CREDIT.

(a) **IN GENERAL.**—Section 25 (a) (3) and (4) (relating to earned income credit for normal tax), and section 185 and section 47 (d) (relating to earned income) are repealed.

53 Stat. 18, 70, 26.  
26 U. S. C. §§ 25 (a)  
(3) and (4), 185, 47 (d).

53 Stat. 48.  
26 U. S. C., Supp.  
III, § 116 (a).  
53 Stat. 17.  
26 U. S. C. § 25 (a);  
Supp. III, § 25 (a).  
*Anne*, p. 51; *post*, p.  
238.

(b) **EARNED INCOME FROM SOURCES WITHOUT UNITED STATES.**—Section 116 (a) (relating to earned income from sources without the United States) is amended (1) by striking out “if such amounts would constitute earned income as defined in section 25 (a) if received from sources within the United States” appearing in paragraphs (1) and (2) and inserting in lieu thereof “if such amounts constitute earned income as defined in paragraph (3)”; and (2) by inserting at the end thereof the following new paragraph:

“(3) **DEFINITION OF EARNED INCOME.**—For the purposes of this subsection, ‘earned income’ means wages, salaries, professional fees, and other amounts received as compensation for personal services actually rendered, but does not include that part of the compensation derived by the taxpayer for personal services rendered by him to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered. In the case of a taxpayer engaged in a trade or business in which both personal services and capital are material income producing factors, under regulations prescribed by the Commissioner with the approval of the Secretary, a reasonable allowance as compensation for the personal services rendered by the taxpayer, not in excess of 20 per centum of his share of the net profits of such trade or business, shall be considered as earned income.”

#### SEC. 108. CERTAIN FISCAL YEAR TAXPAYERS.

56 Stat. 837.  
26 U. S. C., Supp.  
III, § 108.

(a) **IN GENERAL.**—Section 108 (relating to certain fiscal years) is amended to read as follows:

#### “SEC. 108. FISCAL YEAR TAXPAYERS.

53 Stat. 5.  
26 U. S. C. §§ 12-14;  
Supp. III, §§ 11-15.  
*Post*, pp. 231, 232.

“(a) **TAXABLE YEARS BEGINNING IN 1941 AND ENDING AFTER JUNE 30, 1942.**—In the case of a taxable year beginning in 1941 and ending after June 30, 1942, the tax imposed by sections 11, 12, 13, 14, and 15 shall be—

“(1) **CORPORATIONS.**—In the case of a corporation an amount equal to the sum of—

“(A) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1941, were applicable to such taxable year, which the number of days in such taxable year before July 1, 1942, bears to the total number of days in such taxable year, plus

“(B) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1941, were applicable to such taxable year, but as if the amendments made by sections 105 (a), (b) (other than those relating to dividends on the preferred stock of public utilities), (c), (d), and (e) (1), 202, and 206 of the Revenue Act of 1942 were applicable to such taxable year, which the number of days in such taxable year after June 30, 1942, bears to the total number of days in such taxable year.

“(2) **TAXPAYERS OTHER THAN CORPORATIONS.**—In the case of a taxpayer other than a corporation, an amount equal to the sum of—

“(A) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1941, were applicable to such taxable year, which the number of days in such taxable year before July 1, 1942, bears to the total number of days in such taxable year, plus

56 Stat. 805, 899, 903.  
26 U. S. C., Supp.  
III, §§ 13, 15, 23, 26,  
710, 711.

"(B) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1941, were applicable to such taxable year, but as if the amendments made by sections 102 and 103 of the Revenue Act of 1942 were applicable to such taxable year, which the number of days in such taxable year after June 30, 1942, bears to the total number of days in such taxable year.

"(b) TAXABLE YEARS BEGINNING IN 1943 AND ENDING IN 1944.—In the case of a taxable year beginning in 1943 and ending in 1944, the tax imposed by sections 11, 12, 13, 14, 15, and 450 shall be—

"(1) CORPORATIONS.—In the case of a corporation, an amount equal to the sum of—

"(A) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1943, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1944, bears to the total number of days in such taxable year, plus

"(B) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1944, were applicable to such taxable year, which the number of days in such taxable year after December 31, 1943, bears to the total number of days in such taxable year.

"(2) TAXPAYERS OTHER THAN CORPORATIONS.—In the case of a taxpayer other than a corporation, an amount equal to the sum of—

"(A) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1943, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1944, bears to the total number of days in such taxable year, plus

"(B) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1944, were applicable to such taxable year, which the number of days in such taxable year after December 31, 1943, bears to the total number of days in such taxable year.

"(c) SPECIAL CLASSES OF TAXPAYERS.—This section shall not apply to an insurance company subject to Supplement G, an investment company subject to Supplement Q, or a Western Hemisphere Trade Corporation, as defined in section 109."

(b) TAXABLE YEARS TO WHICH APPLICABLE.—Section 108 (a) of the Internal Revenue Code, as amended by subsection (a) of this section, shall be applicable to taxable years beginning in 1941 and ending after June 30, 1942. The other amendments made by subsection (a) of this section shall be applicable only to taxable years beginning in 1943 and ending in 1944.

#### SEC. 109. EXCLUSION FROM GROSS INCOME OF MUSTERING-OUT PAYMENTS FOR MILITARY AND NAVAL PERSONNEL.

Section 22 (b) (relating to exclusions from gross income) is amended by inserting at the end thereof the following:

"(14) MUSTERING-OUT PAYMENTS FOR MILITARY AND NAVAL PERSONNEL.—Amounts received during the taxable year as mustering-out payments with respect to service in the military or naval forces of the United States."

56 Stat. 802.  
26 U. S. C., Supp.  
III, §§ 11, 12.

53 Stat. 5; 56 Stat.  
884.

26 U. S. C. §§ 12-14;  
Supp. III, §§ 11-15,  
450.

*Ante*, p. 31; *post*, pp.  
231, 232, 234.

53 Stat. 71, 98.  
26 U. S. C. §§ 201-  
208; Supp. III, §§ 201-  
208, 361, 362.

*Post*, pp. 52, 53.  
56 Stat. 838.  
26 U. S. C., Supp.  
III, § 109.  
*Ante*, p. 32.

53 Stat. 10.  
26 U. S. C. § 22 (b);  
Supp. III, § 22 (b).  
*Ante* p. 8.  
*Post*, p. 241.

## SEC. 110. LAST-IN FIRST-OUT INVENTORY.

## (a) IN GENERAL.—

56 Stat. 814.  
26 U. S. C., Supp.  
III, § 22 (d) (6) (A).  
*Infra.*

(1) RETROACTIVE EFFECT.—Section 22 (d) (6) (A) (relating to involuntary liquidation and replacement of goods subject to elective inventory) is amended (A) by striking out “December 31, 1941” and inserting in lieu thereof “December 31, 1940”, and (B) by inserting after “taxpayer’s income tax return for such year” the following: “(or, with respect to taxable years beginning in 1941, at any time within the six months period following the date of the enactment of the Revenue Act of 1943)”.

*Supra.*

53 Stat. 104.  
26 U. S. C., §§ 500-  
752; Supp. III, § 500  
*et seq.*  
*Post*, pp. 43, 53-58, 74.

(2) EFFECT OF ADJUSTMENT ON CARRY-OVERS AND CARRY-BACKS.—The next to the last sentence of section 22 (d) (6) (A) is amended to read as follows: “The taxes imposed by this chapter and by chapter 2 for the year of such liquidation, for preceding taxable years, and for all taxable years intervening between the year of liquidation and the year of replacement shall be redetermined, giving effect to such adjustments.”

56 Stat. 815.  
26 U. S. C., Supp.  
III, § 22 (d) (6) (C).

(3) TECHNICAL AMENDMENT RELATING TO REPLACEMENTS.—Section 22 (d) (6) (C) (relating to replacements) is amended to read as follows:

*Supra.*

“(C) Replacements.—If, in the case of any taxpayer subject to the provisions of subparagraph (A), the closing inventory of the taxpayer for a taxable year, subsequent to the year of involuntary liquidation but prior to the complete replacement of the goods so liquidated, reflects an increase over the opening inventory of such goods for the taxable year, the goods reflecting such increase shall be considered, in the order of their acquisition, as having been acquired in replacement of the goods most recently liquidated (whether or not in a year of involuntary liquidation) and not previously replaced, and if the liquidation was an involuntary liquidation shall be taken into purchases and included in the closing inventory of the taxpayer for the year of replacement at the inventory cost basis of the goods replaced.”

56 Stat. 816.  
26 U. S. C., Supp.  
III, § 22 (d) (6) (D).

(4) EFFECT OF ELECTION.—Section 22 (d) (6) (D) (relating to irrevocable effect of election) is amended by striking out “for subsequent taxable years” and inserting in lieu thereof “for prior and subsequent taxable years”.

56 Stat. 816.  
26 U. S. C., Supp.  
III, § 22 (d) (6) (E).

(5) TAXES AFFECTED BY ADJUSTMENT.—Section 22 (d) (6) (E) (relating to adjustment with respect to closed years) is amended by striking out “Subchapter E of”.

(b) EFFECTIVE DATE.—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1940.

## SEC. 111. DENIAL OF DEDUCTION FOR FEDERAL EXCISE TAXES NOT DEDUCTIBLE UNDER SECTION 23 (a).

53 Stat. 12.  
26 U. S. C., Supp.  
III, § 23 (a).  
55 Stat. 700.  
26 U. S. C., Supp.  
III, § 23 (c) (1) (D),  
(E).

Section 23 (c) (1) (relating to deduction of taxes in computing net income) is amended (a) by striking out “and” at the end of subparagraph (D); (b) by striking out the period at the end of subparagraph (E) and inserting in lieu thereof “; and”; and (c) by inserting at the end thereof the following:

“(F) Federal import duties, and Federal excise and stamp taxes (not described in subparagraph (A), (B), (D), or (E)), but this subsection shall not prevent such duties and taxes from being deducted under subsection (a).”

## SEC. 112. DEDUCTION FOR LOSSES ON SECURITIES IN AFFILIATED CORPORATIONS.

(a) **STOCK LOSSES.**—Section 23 (g) (4) (B) of the Internal Revenue Code (relating to losses on stock of affiliated corporations) is amended to read as follows:

56 Stat. 820.  
26 U. S. C., Supp.  
III, § 23 (g) (4) (B).

“(B) more than 90 per centum of the aggregate of its gross incomes for all taxable years has been from sources other than royalties, rents (except rents derived from rental of properties to employees of the company in the ordinary course of its operating business), dividends, interest (except interest received on deferred purchase price of operating assets sold), annuities, or gains from sales or exchanges of stocks and securities; and”.

(b) **BOND LOSSES.**—Section 23 (k) (5) (B) of the Internal Revenue Code (relating to losses on securities of affiliated corporations) is amended to read as follows:

56 Stat. 820.  
26 U. S. C., Supp.  
III, § 23 (k) (5) (B).

“(B) more than 90 per centum of the aggregate of its gross incomes for all taxable years has been from sources other than royalties, rents (except rents derived from rental of properties to employees of the company in the ordinary course of its operating business), dividends, interest (except interest received on deferred purchase price of operating assets sold), annuities, or gains from sales or exchanges of stocks and securities; and”.

(c) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1941.

## SEC. 113. PARTIALLY WORTHLESS BAD DEBTS.

(a) **IN GENERAL.**—The first sentence of section 23 (k) (1) (relating to deductions for bad debts) is amended to read as follows: “Debts which become worthless within the taxable year; or (in the discretion of the Commissioner) a reasonable addition to a reserve for bad debts; and when satisfied that a debt is recoverable only in part, the Commissioner may allow such debt, in an amount not in excess of the part charged off within the taxable year, as a deduction.”

53 Stat. 13.  
26 U. S. C., Supp.  
III, § 23 (k) (1).

(b) **YEARS TO WHICH APPLICABLE.**—The amendment made by this section shall be effective with respect to taxable years beginning after December 31, 1938.

## SEC. 114. CORPORATE CONTRIBUTIONS TO VETERANS' ORGANIZATIONS.

Section 23 (q) (relating to charitable and other contributions by corporations) is amended (a) by inserting “veteran rehabilitation service,” after “scientific,” in paragraph (2), (b) by inserting “or” at the end of paragraph (2), and (c) by inserting after paragraph (2) the following new paragraph:

56 Stat. 822.  
26 U. S. C., Supp.  
III, § 23 (q) (2).

“(3) Posts or organizations of war veterans, or auxiliary units of, or trusts or foundations for, any such posts or organizations, if such posts, organizations, units, trusts, or foundations are organized in the United States or any of its possessions, and if no part of their net earnings inure to the benefit of any private shareholder or individual;”.

**SEC. 115. SPECIAL DEDUCTION FOR BLIND.**

56 Stat. 825.  
26 U. S. C., Supp.  
III, § 23 (x).  
*Post*, p. 236.

Section 23 (relating to deductions in computing net income) is amended by inserting after section 23 (x) the following:

“(y) **SPECIAL DEDUCTION FOR BLIND INDIVIDUALS.**—

“(1) **IN GENERAL.**—In the case of a blind individual, \$500. For the purposes of this subsection, the status of the individual, insofar as it affects the application of this subsection to such individual, shall be determined as of July 1 of the taxable year, unless the taxable year does not include July 1, in which case such status shall be determined as of the last day of the taxable year.

“Blind individual.”

“(2) **DEFINITION.**—For the purposes of this subsection, the term ‘blind individual’ means an individual whose central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or whose visual acuity is greater than 20/200 but is accompanied by a limitation in the fields of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.”

**SEC. 116. CREDIT FOR DIVIDENDS PAID ON PREFERRED STOCK OF PUBLIC UTILITIES.**

56 Stat. 830.  
26 U. S. C., Supp.  
III, § 26 (h) (1).

(a) **DIVIDENDS UNPAID AND ACCUMULATED.**—Section 26 (h) (1) (relating to credit for dividends paid on certain preferred stock) is amended by inserting at the end of the first sentence thereof the following: “For the purposes of the credit provided in this subsection the amount of dividends paid shall not include any amount distributed in the current taxable year with respect to dividends unpaid and accumulated in any taxable year ending prior to October 1, 1942. Amounts distributed in the current taxable year with respect to dividends unpaid and accumulated for a prior taxable year shall for the purposes of this paragraph be deemed to be distributed with respect to the earliest year or years for which there are dividends unpaid and accumulated.”

56 Stat. 830.  
26 U. S. C., Supp.  
III, § 26 (h) (2) (B).

(b) **STOCK ISSUED TO REPLACE EXISTING SECURITIES.**—Section 26 (h) (2) (B) (defining “preferred stock”) is amended by inserting at the end thereof the following: “Stock issued on or after October 1, 1942, shall be deemed for the purposes of this paragraph to have been issued prior to October 1, 1942, if it was issued (including issuance either by the same or another corporation in a transaction which is a reorganization, as defined in section 112 (g) (1), or a transaction to which section 112 (b) (10), or so much of section 112 (d) or (e) as relates to section 112 (b) (10), is applicable, or which is a transaction subject to Supplement R) to refund or replace bonds or debentures issued prior to October 1, 1942, or to refund or replace other preferred stock (including stock which is preferred stock by reason of this sentence), but only to the extent that the par or stated value of the new stock does not exceed the par, stated, or face value of the bonds or debentures issued prior to October 1, 1942, or the other preferred stock, which such new stock is issued to refund or replace. The determination of whether stock was issued to refund or replace bonds or debentures issued prior to October 1, 1942, or to refund or replace other preferred stock, shall be made under regulations prescribed by the Commissioner with the approval of the Secretary.”

53 Stat. 40, 39.  
26 U. S. C. §§ 112 (g)  
(1), 112 (d), (e).  
*Post*, pp. 41, 43.

53 Stat. 99.  
26 U. S. C. §§ 371-  
373; Supp. III, § 371  
*et seq.*

**SEC. 117. RETURNS BY ORGANIZATIONS EXEMPT FROM TAXATION.**

53 Stat. 28.  
26 U. S. C. § 54.

(a) **IN GENERAL.**—Section 54 (relating to records and special returns) is amended by inserting after subsection (e) the following:



"(f) Every organization, except as hereinafter provided, exempt from taxation under section 101 shall file an annual return, which shall contain or be verified by a written declaration that it is made under the penalties of perjury, stating specifically the items of gross income, receipts, and disbursements, and such other information for the purpose of carrying out the provisions of this chapter as the Commissioner, with the approval of the Secretary, may by regulations prescribe, and shall keep such records, render under oath such statements, make such other returns, and comply with such rules and regulations as the Commissioner, with the approval of the Secretary, may from time to time prescribe. No such annual return need be filed under this subsection by any organization exempt from taxation under the provisions of section 101—

53 Stat. 33.  
26 U. S. C. § 101;  
Supp. III, § 101.

Organizations not  
required to file re-  
turns.

"(1) which is a religious organization exempt under section 101 (6); or

53 Stat. 33.  
26 U. S. C. § 101 (6).

"(2) which is an educational organization exempt under section 101 (6), if such organization normally maintains a regular faculty and curriculum and normally has a regularly organized body of pupils or students in attendance at the place where its educational activities are regularly carried on; or

"(3) which is a charitable organization, or an organization for the prevention of cruelty to children or animals, exempt under section 101 (6), if such organization is supported, in whole or in part, by funds contributed by the United States or any State or political subdivision thereof, or is primarily supported by contributions of the general public; or

"(4) which is an organization exempt under section 101 (6), if such organization is operated, supervised, or controlled by or in connection with a religious organization described in paragraph (1); or

"(5) which is an organization exempt solely under section 101 (3); or

53 Stat. 33.  
26 U. S. C. § 101 (3).

"(6) which is an organization exempt under section 101 (15), if such organization is a corporation wholly owned by the United States or any agency or instrumentality thereof, or a wholly owned subsidiary of such a corporation."

53 Stat. 34.  
26 U. S. C. § 101 (15).

(b) YEARS TO WHICH APPLICABLE.—The amendments made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1942.

## SEC. 118. PENALTIES IN CONNECTION WITH ESTIMATED TAX.

(a) IN GENERAL.—Section 294 (relating to additions to the tax) is amended by striking out paragraphs (3), (4), and (5) of subsection (a) and inserting at the end thereof the following:

53 Stat. 38; 57 Stat. 144.  
26 U. S. C. § 294;  
Supp. III, § 294.

"(d) ESTIMATED TAX.—

Post, p. 244.

"(1) FAILURE TO FILE DECLARATION OR PAY INSTALLMENT OF ESTIMATED TAX.—

"(A) Failure to File Declaration.—In the case of a failure to make and file a declaration of estimated tax within the time prescribed, unless such failure is shown to the satisfaction of the Commissioner to be due to reasonable cause and not to willful neglect, there shall be added to the tax 5 per centum of each installment due but unpaid, and in addition, with respect to each such installment due but unpaid, 1 per centum of the unpaid amount thereof for each month (except the first) or fraction thereof during which such amount remains unpaid. In no event shall the aggregate addition to the tax under this

*Post*, p. 244.

subparagraph with respect to any installment due but unpaid, exceed 10 per centum of the unpaid portion of such installment. For the purposes of this subparagraph each installment shall be considered to be an amount equal to the amount that would have been due and payable if a declaration showing an estimated tax in the amount of the correct tax had been timely filed, and one such installment shall be considered due on the fifteenth day of the last month of that quarter of the taxable year in which the declaration is required to be filed, and another such installment shall be considered due on the fifteenth day of the last month of each succeeding quarter of the taxable year.

“(B) Failure to Pay Installments of Estimated Tax Declared.—Where a declaration of estimated tax has been made and filed within the time prescribed, or where a declaration of estimated tax has been made and filed after the time prescribed and the Commissioner has found that failure to make and file such declaration within the time prescribed was due to reasonable cause and not to willful neglect, in the case of a failure to pay an installment of the estimated tax within the time prescribed, unless such failure is shown to the satisfaction of the Commissioner to be due to reasonable cause and not to willful neglect, there shall be added to the tax 5 per centum of the unpaid amount of such installment, and in addition 1 per centum of such unpaid amount for each month (except the first) or fraction thereof during which such amount remains unpaid. In no event shall the aggregate addition to the tax under this subparagraph with respect to any installment due but unpaid, exceed 10 per centum of the unpaid portion of such installment.

*Post*, p. 235.

53 Stat. 24; 56 Stat. 803, 890.

26 U. S. C. § 32; Supp. III, §§ 35, 466 (e).

*Post*, p. 234.

57 Stat. 143.

26 U. S. C., Supp.

III, § 60 (a).

*Post*, p. 244.

“(2) SUBSTANTIAL UNDERESTIMATE OF ESTIMATED TAX.—If 80 per centum of the tax (determined without regard to the credits under sections 32, 35, and 466 (e)), in the case of individuals other than farmers exercising an election under section 60 (a), or 66 $\frac{2}{3}$  per centum of such tax so determined in the case of such farmers, exceeds the estimated tax (increased by such credits), there shall be added to the tax an amount equal to such excess, or equal to 6 per centum of the amount by which such tax so determined exceeds the estimated tax so increased, whichever is the lesser. This paragraph shall not apply to the taxable year in which falls the death of the taxpayer, nor, under regulations prescribed by the Commissioner with the approval of the Secretary, shall it apply to the taxable year in which the taxpayer makes a timely payment of estimated tax within or before each quarter (excluding, in case the taxable year begins in 1943, any quarter beginning prior to July 1, 1943) of such year (or in the case of farmers exercising an election under section 60 (a), within the last quarter) in an amount at least as great as though computed (under such regulations) on the basis of the taxpayer's status with respect to the personal exemption and credit for dependents on the date of the filing of the declaration for such taxable year (or in the case of any such farmer, or in case the fifteenth day of the third month of the taxable year occurs after July 1, on July 1 of the taxable year) but otherwise on the basis of the facts shown on his return for the preceding taxable year.”

(b) TECHNICAL AMENDMENT.—Section 60 (b) (relating to the application of declarations of estimated tax to short taxable years) is

57 Stat. 143.

26 U. S. C., Supp.

III, § 60 (b).

*Post*, p. 244.

amended by striking out "294 (a) (3), (4), and (5)" and inserting in lieu thereof "294 (d)".

*Ante*, p. 37.

(c) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1942.

#### SEC. 119. BACK PAY ATTRIBUTABLE TO PRIOR YEARS.

(a) **IN GENERAL.**—Section 107 (relating to compensation for certain services rendered) is amended by inserting at the end thereof the following new subsection:

53 Stat. 878.  
26 U. S. C., Supp.  
III, § 107.  
*Infra*.

"(d) **BACK PAY.**—

"(1) **IN GENERAL.**—If the amount of the back pay received or accrued by an individual during the taxable year exceeds 15 per centum of the gross income of the individual for such year, the part of the tax attributable to the inclusion of such back pay in gross income for the taxable year shall not be greater than the aggregate of the increases in the taxes which would have resulted from the inclusion of the respective portions of such back pay in gross income for the taxable years to which such portions are respectively attributable, as determined under regulations prescribed by the Commissioner with the approval of the Secretary.

"(2) **DEFINITION OF BACK PAY.**—For the purposes of this subsection, 'back pay' means (A) remuneration, including wages, salaries, retirement pay, and other similar compensation, which is received or accrued during the taxable year by an employee for services performed prior to the taxable year for his employer and which would have been paid prior to the taxable year except for the intervention of one of the following events: (i) bankruptcy or receivership of the employer; (ii) dispute as to the liability of the employer to pay such remuneration, which is determined after the commencement of court proceedings; (iii) if the employer is the United States, a State, a Territory, or any political subdivision thereof, or the District of Columbia, or any agency or instrumentality of any of the foregoing, lack of funds appropriated to pay such remuneration; or (iv) any other event determined to be similar in nature under regulations prescribed by the Commissioner with the approval of the Secretary; and (B) wages or salaries which are received or accrued during the taxable year by an employee for services performed prior to the taxable year for his employer and which constitute retroactive wage or salary increases ordered, recommended, or approved by any Federal or State agency, and made retroactive to any period prior to the taxable year; and (C) payments which are received or accrued during the taxable year as the result of an alleged violation by an employer of any State or Federal law relating to labor standards or practices, and which are determined under regulations prescribed by the Commissioner with the approval of the Secretary to be attributable to a prior taxable year. Amounts not includible in gross income under this chapter shall not constitute 'back pay'."

(b) **TECHNICAL AMENDMENT.**—The title of section 107 is amended by adding at the end thereof the following: "**AND BACK PAY**".

53 Stat. 878.  
26 U. S. C., Supp.  
III, § 107.  
*Supra*.

(c) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1940.

**SEC. 120. ELECTION AS TO RECOGNITION OF GAIN IN CERTAIN CORPORATE LIQUIDATIONS.**

53 Stat. 37.  
26 U. S. C. § 112(b);  
Supp. III, § 112(b).  
*Post*, pp. 41, 46.

(a) **IN GENERAL.**—Section 112 (b) (relating to certain exchanges of property) is amended by inserting after paragraph (6) the following:

**“(7) ELECTION AS TO RECOGNITION OF GAIN IN CERTAIN CORPORATE LIQUIDATIONS.—**

**“(A) General Rule.**—In the case of property distributed in complete liquidation of a domestic corporation, if—

“(i) the liquidation is made in pursuance of a plan of liquidation adopted after the date of the enactment of the Revenue Act of 1943, whether the taxable year of the corporation began on, before, or after January 1, 1944; and

“(ii) the distribution is in complete cancelation or redemption of all the stock, and the transfer of all the property under the liquidation occurs within some one calendar month in 1944—

then in the case of each qualified electing shareholder (as defined in subparagraph (C)) gain upon the shares owned by him at the time of the adoption of the plan of liquidation shall be recognized only to the extent provided in subparagraphs (E) and (F).

**“(B) Excluded Corporation.**—The term ‘excluded corporation’ means a corporation which at any time between December 10, 1943, and the date of the adoption of the plan of liquidation, both dates inclusive, was the owner of stock possessing 50 per centum or more of the total combined voting power of all classes of stock entitled to vote on the adoption of such plan.

**“(C) Qualified Electing Shareholders.**—The term ‘qualified electing shareholder’ means a shareholder (other than an excluded corporation) of any class of stock (whether or not entitled to vote on the adoption of the plan of liquidation) who is a shareholder at the time of the adoption of such plan, and whose written election to have the benefits of subparagraph (A) has been made and filed in accordance with subparagraph (D), but—

“(i) in the case of a shareholder other than a corporation, only if written elections have been so filed by shareholders (other than corporations) who at the time of the adoption of the plan of liquidation are owners of stock possessing at least 80 per centum of the total combined voting power (exclusive of voting power possessed by stock owned by corporations) of all classes of stock entitled to vote on the adoption of such plan of liquidation; or

“(ii) in the case of a shareholder which is a corporation, only if written elections have been so filed by corporate shareholders (other than an excluded corporation) which at the time of the adoption of such plan of liquidation are owners of stock possessing at least 80 per centum of the total combined voting power (exclusive of voting power possessed by stock owned by an excluded corporation and by shareholders who are not corporations) of all classes of stock entitled to vote on the adoption of such plan of liquidation.

**“(D) Making and Filing of Elections.**—The written elections referred to in subparagraph (C) must be made and filed

in such manner as to be not in contravention of regulations prescribed by the Commissioner with the approval of the Secretary. The filing must be within thirty days after the adoption of the plan of liquidation, and may be by the liquidating corporation or by the shareholder.

“(E) Noncorporate Shareholders.—In the case of a qualified electing shareholder other than a corporation—

“(i) There shall be recognized, and taxed as a dividend, so much of the gain as is not in excess of his ratable share of the earnings and profits of the corporation accumulated after February 28, 1913, such earnings and profits to be determined as of the close of the month in which the transfer in liquidation occurred under subparagraph (A) (ii), but without diminution by reason of distributions made during such month; but by including in the computation thereof all amounts accrued up to the date on which the transfer of all the property under the liquidation is completed; and

“(ii) There shall be recognized, and taxed as short-term or long-term capital gain, as the case may be, so much of the remainder of the gain as is not in excess of the amount by which the value of that portion of the assets received by him which consists of money, or of stock or securities acquired by the corporation after December 10, 1943, exceeds his ratable share of such earnings and profits.

“(F) Corporate Shareholders.—In the case of a qualified electing shareholder which is a corporation the gain shall be recognized only to the extent of the greater of the two following—

“(i) The portion of the assets received by it which consists of money, or of stock or securities acquired by the liquidating corporation after December 10, 1943; or

“(ii) Its ratable share of the earnings and profits of the liquidating corporation accumulated after February 28, 1913, such earnings and profits to be determined as of the close of the month in which the transfer in liquidation occurred under subparagraph (A) (ii), but without diminution by reason of distributions made during such month; but by including in the computation thereof all amounts accrued up to the date on which the transfer of all the property under the liquidation is completed.”

(b) **BASIS.**—Section 113 (a) (18) (relating to basis of property received in certain corporate liquidations) is amended by inserting after “paragraph (7) of section 112 (b)” the following: “of this Chapter or”; and by striking out the comma preceding “of the Revenue Act of 1938”.

(c) **EFFECTIVE DATE.**—The amendments made by subsections (a) and (b) shall be applicable with respect to taxable years ending after December 31, 1943.

## SEC. 121. REORGANIZATION OF CERTAIN INSOLVENT CORPORATIONS.

(a) **NONRECOGNITION OF GAIN OR LOSS ON CERTAIN REORGANIZATIONS.**—Section 112 (b) (relating to recognition of gain or loss upon certain exchanges) is amended by inserting at the end thereof the following:

“(10) **GAIN OR LOSS NOT RECOGNIZED ON REORGANIZATION OF CORPORATIONS IN CERTAIN RECEIVERSHIP AND BANKRUPTCY PROCEEDINGS.**—No gain or loss shall be recognized if property of a

53 Stat. 44.  
26 U. S. C. § 113 (a)  
(18).

53 Stat. 37.  
26 U. S. C. § 112 (b);  
Supp. III, § 112 (b).  
Ante, p. 40; post, p. 46.

49 Stat. 922.  
11 U. S. C. § 205 (m).

corporation (other than a railroad corporation, as defined in section 77m of the National Bankruptcy Act, as amended) is transferred, in a taxable year of such corporation beginning after December 31, 1933, in pursuance of an order of the court having jurisdiction of such corporation—

“(A) in a receivership, foreclosure, or similar proceeding, or

48 Stat. 912; 52 Stat. 883.  
11 U. S. C. §§ 207 note, 501-676.

“(B) in a proceeding under section 77B or Chapter X of the National Bankruptcy Act, as amended, to another corporation organized or made use of to effectuate a plan of reorganization approved by the court in such proceeding, in exchange solely for stock or securities in such other corporation.”

53 Stat. 37.  
26 U. S. C. § 112; Supp. III, § 112.  
*Ante*, pp. 40, 41; *post*, pp. 43, 44, 46.

(b) **RECOGNITION OF GAIN OR LOSS OF SECURITY HOLDERS IN CONNECTION WITH CERTAIN CORPORATE REORGANIZATIONS.**—Section 112 (relating to recognition of gain or loss) is amended by inserting at the end thereof the following:

“(1) **EXCHANGES BY SECURITY HOLDERS IN CONNECTION WITH CERTAIN CORPORATE REORGANIZATIONS.**—

*Ante*, p. 41.

“(1) **GENERAL RULE.**—No gain or loss shall be recognized upon an exchange consisting of the relinquishment or extinguishment of stock or securities in a corporation the plan of reorganization of which is approved by the court in a proceeding described in subsection (b) (10), in consideration of the acquisition solely of stock or securities in a corporation organized or made use of to effectuate such plan of reorganization.

“(2) **EXCHANGE OCCURRING IN TAXABLE YEARS BEGINNING PRIOR TO JANUARY 1, 1943.**—If the exchange occurred in a taxable year of the person acquiring such stock or securities beginning prior to January 1, 1943, then, under regulations prescribed by the Commissioner with the approval of the Secretary, gain or loss shall be recognized or not recognized—

“(A) to the extent that it was recognized or not recognized in the final determination of the tax of such person for such taxable year, if such tax was finally determined prior to the ninetieth day after the date of the enactment of the Revenue Act of 1943; or

“(B) in cases to which subparagraph (A) is not applicable, to the extent that it would be recognized or not recognized under the latest treatment of such exchange by such person prior to December 15, 1943, in connection with his tax liability for such taxable year.”

53 Stat. 40.  
26 U. S. C. § 113 (a).  
*Ante*, p. 41; *post*, p. 46.

(c) **BASIS.**—Section 113 (a) (relating to basis of property) is amended—

*Supra*.

(1) by inserting after “112 (b) to (e), inclusive,” in paragraph (6) the following: “or section 112 (1),”;

(2) by inserting after “property permitted by section 112 (b)” in paragraph (6) the following: “or section 112 (1),” and

(3) by inserting after paragraph (21) the following:

56 Stat. 839.  
26 U. S. C., Supp. III, § 113 (a) (21).

“(22) **PROPERTY ACQUIRED ON REORGANIZATION OF CERTAIN CORPORATIONS.**—If the property was acquired by a corporation upon a transfer to which section 112 (b) (10), or so much of section 112 (d) or (e) as relates to section 112 (b) (10), is applicable, then, notwithstanding the provisions of section 270 of the National Bankruptcy Act, as amended, the basis in the hands of the acquiring corporation shall be the same as it would be in the hands of the corporation whose property was so acquired, increased in the amount of gain recognized to the corporation whose property was so acquired under the law applicable to the

*Ante*, p. 41.  
53 Stat. 39.  
26 U. S. C. § 112 (d), (e).  
*Post*, p. 43.  
52 Stat. 904.  
11 U. S. C. § 676.

year in which the acquisition occurred, and such basis shall not be adjusted under subsection (b) (3) by reason of a discharge of indebtedness pursuant to the plan of reorganization under which such transfer was made."

53 Stat. 875.  
26 U. S. C. § 113 (b) (3).

(d) TECHNICAL AMENDMENTS.—

53 Stat. 39.  
26 U. S. C. § 112 (c).

(1) Section 112 (c) (relating to gain from exchanges not solely in kind) is amended by inserting after "(b) (1), (2), (3), or (5)", the following: "or within the provisions of subsection (1).", and by inserting after "paragraph" the following: "or by subsection (1)".

*Ante*, p. 42.

(2) Section 112 (d) (relating to gain of corporation) is amended by inserting after "subsection (b) (4)" the following: "or (10)".

53 Stat. 39.  
26 U. S. C. § 112 (d).

*Ante*, p. 41.

(3) Section 112 (e) (relating to loss from exchanges not solely in kind) is amended by inserting after "subsection (b) (1) to (5), inclusive," the following: "or (10), or within the provisions of subsection (1).".

53 Stat. 39.  
26 U. S. C. § 112 (e).

*Ante*, pp. 41, 42.

(4) So much of section 112 (g) (defining "reorganization") as precedes paragraph (1) is amended to read as follows:

53 Stat. 40.  
26 U. S. C. § 112 (g)

"(g) DEFINITION OF REORGANIZATION.—As used in this section (other than subsection (b) (10) and subsection (1)) and in section 113 (other than subsection (a) (22))—"

53 Stat. 40.  
26 U. S. C. § 113;  
Supp. III, § 113.  
*Ante*, pp. 41, 42;  
*infra*, post, p. 46.

(5) Section 112 (k) (relating to assumption of liability) is amended by striking out "subsection (b) (4) or (5)" wherever appearing therein and inserting in lieu thereof the following: "subsection (b) (4), (5), or (10)".

53 Stat. 870.  
26 U. S. C. § 112 (k).

*Ante*, p. 41.

(6) Section 718 (a) (6) (A) is amended by striking out "112 (b) (3), (4), or (5), or so much of section 112 (c), (d), or (e) as refers to section 112 (b) (3), (4), or (5)" and inserting in lieu thereof "112 (b) (3), (4), (5), or (10), or so much of section 112 (c), (d), or (e) as refers to section 112 (b) (3), (4), (5), or (10)".

55 Stat. 702.  
26 U. S. C., Supp.  
III, § 718 (a) (6) (A).

*Ante*, p. 41.

(e) EFFECTIVE DATE.—Provisions having the effect of the amendments made by subsection (a), subsection (c) (3), and subsection (d) (2), (3), (4), (5), and (6), shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1933, but shall not affect any tax liability for any taxable year beginning prior to January 1, 1943. Provisions having the effect of the amendments made by subsection (b), subsection (c) (1) and (2), and subsection (d) (1), shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1931.

## SEC. 122. REORGANIZATION BY ADJUSTMENT OF CAPITAL STRUCTURE PRIOR TO SEPTEMBER 22, 1938.

(a) IN GENERAL.—Section 113 (b) (relating to adjustments to the basis of property) is amended by inserting at the end thereof the following:

53 Stat. 44.  
26 U. S. C. § 113 (b);  
Supp. III, § 113 (b).

"(4) ADJUSTMENT OF CAPITAL STRUCTURE PRIOR TO SEPTEMBER 22, 1938.—Where a plan of reorganization of a corporation, approved by the court in a proceeding under section 77B of the National Bankruptcy Act, as amended, is consummated by adjustment of the capital or debt structure of such corporation without the transfer of its assets to another corporation, and a final judgment or decree in such proceeding has been entered prior to September 22, 1938, then the provisions of section 270 of the National Bankruptcy Act, as amended, shall not apply in respect of the property of such corporation. For the purposes of this para-

48 Stat. 912.  
11 U. S. C. § 207  
note.

52 Stat. 904.  
11 U. S. C. § 670.

53 Stat. 40.  
26 U. S. C. § 112 (g).  
*Ante*, p. 43.

graph the term 'reorganization' shall not be limited by the definition of such term in section 112 (g)."

(b) **TAXABLE YEARS TO WHICH APPLICABLE.**—A provision having the effect of the amendment made by subsection (a) shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1935.

#### SEC. 123. GAIN FROM SALE OR EXCHANGE OF PROPERTY PURSUANT TO ORDERS OF FEDERAL COMMUNICATIONS COMMISSION.

*Ante*, p. 42.

(a) **IN GENERAL.**—Section 112 is amended by adding at the end thereof a new subsection as follows:

"(m) **GAIN FROM SALE OR EXCHANGE TO EFFECTUATE POLICIES OF FEDERAL COMMUNICATIONS COMMISSION.**—If the sale or exchange of property (including stock in a corporation) is certified by the Federal Communications Commission to be necessary or appropriate to effectuate the policies of the Commission with respect to the ownership and control of radio broadcasting stations, such sale or exchange shall, if the taxpayer so elects, be treated as an involuntary conversion of such property within the meaning of subsection (f) of this section. For the purposes of subsection (f) of this section as made applicable by the provisions of this subsection, stock of a corporation operating a radio broadcasting station, whether or not representing control of such corporation, shall be treated as property similar or related in service or use to the property so converted. The part of the gain, if any, upon such sale or exchange to which subsection (f) of this section is not applied shall nevertheless not be recognized, if the taxpayer so elects, to the extent that it is applied to reduce the basis for determining gain or loss upon sale or exchange of property, of a character subject to the allowance for depreciation under section 23 (1), remaining in the hands of the taxpayer immediately after the sale or exchange, or acquired in the same taxable year. The manner and amount of such reduction shall be determined under regulations prescribed by the Commissioner with the approval of the Secretary. Any election made by the taxpayer under this subsection shall be made by a statement to that effect in his return for the taxable year in which the sale or exchange takes place (or, with respect to taxable years beginning before January 1, 1944, by a statement to that effect filed within six months after the date of the enactment of the Revenue Act of 1943 in such manner and form as may be prescribed by regulations prescribed by the Commissioner with the approval of the Secretary) and such election shall be binding for the taxable year and all subsequent taxable years."

53 Stat. 14.  
26 U. S. C. Supp.  
III, § 23 (2).

(b) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendments made by this section shall be applicable with respect to taxable years beginning after December 31, 1942.

#### SEC. 124. PERCENTAGE DEPLETION FOR FLAKE GRAPHITE, VERMICULITE, POTASH, BERYL, FELDSPAR, MICA, TALC, BARITE, LEPIDOLITE, AND SPODUMENE.

53 Stat. 45.  
26 U. S. C., Supp.  
III, § 114 (b) (4).

(a) **IN GENERAL.**—So much of section 114 (b) (4) (relating to percentage depletion for certain minerals) as precedes the second sentence thereof is amended to read as follows:

"(4) **PERCENTAGE DEPLETION FOR COAL, FLUORSPAR, FLAKE GRAPHITE, VERMICULITE, BERYL, FELDSPAR, MICA, TALC, LEPIDOLITE, SPODUMENE, BARITE, BALL AND SAGGER CLAY, ROCK ASPHALT, AND METAL MINES, POTASH, AND SULPHUR.**—

"(A) **IN GENERAL.**—The allowance for depletion under section 23 (m) shall be, in the case of coal mines, 5 per

53 Stat. 14.  
26 U. S. C. § 23 (m).



centum, in the case of metal mines, fluorspar, flake graphite, vermiculite, beryl, feldspar, mica, talc, lepidolite, spodumene, barite, ball and sagger clay, or rock asphalt mines, and potash mines or deposits, 15 per centum, and in the case of sulphur mines or deposits, 23 per centum, of the gross income from the property during the taxable year, excluding from such gross income an amount equal to any rents or royalties paid or incurred by the taxpayer in respect of the property."

(b) **DISCOVERY VALUE.**—Section 114 (b) (2) (relating to discovery value) is amended by inserting after "fluorspar" the following: "flake graphite, vermiculite, beryl, feldspar, mica, talc, lepidolite, spodumene, barite, potash,".

53 Stat. 45.  
26 U. S. C., Supp.  
III, § 114 (b) (2).

(c) **DEFINITION OF GROSS INCOME FROM THE PROPERTY.**—Section 114 (b) (4) is amended by adding at the end thereof the following:

53 Stat. 45.  
26 U. S. C., Supp.  
III, § 114 (b) (4).  
*Ante*, p. 44.

"(B) **Definition of Gross Income From Property.**—As used in this paragraph the term 'gross income from the property' means the gross income from mining. The term 'mining', as used herein, shall be considered to include not merely the extraction of the ores or minerals from the ground but also the ordinary treatment processes normally applied by mine owners or operators in order to obtain the commercially marketable mineral product or products. The term 'ordinary treatment processes', as used herein, shall include the following: (i) In the case of coal—cleaning, breaking, sizing, and loading for shipment; (ii) in the case of sulphur—pumping to vats, cooling, breaking, and loading for shipment; (iii) in the case of iron ore, bauxite, ball and sagger clay, rock asphalt, and minerals which are customarily sold in the form of a crude mineral product—sorting, concentrating, and sintering to bring to shipping grade and form, and loading for shipment; and (iv) in the case of lead, zinc, copper, gold, silver, or fluorspar ores, potash, and ores which are not customarily sold in the form of the crude mineral product—crushing, grinding, and beneficiation by concentration (gravity, flotation, amalgamation, electrostatic, or magnetic), cyanidation, leaching, crystallization, precipitation (but not including as an ordinary treatment process electrolytic deposition, roasting, thermal or electric smelting, or refining), or by substantially equivalent processes or combination of processes used in the separation or extraction of the product or products from the ore, including the furnacing of quicksilver ores. The principles of this subparagraph shall also be applicable in determining gross income attributable to mining for the purposes of sections 731 and 735."

"Mining."

"Ordinary treatment processes."

(d) **PERCENTAGE DEPLETION FOR FLAKE GRAPHITE RETROACTIVE TO 1943.**—The amendments made by subsections (a) and (b) inserting flake graphite in section 114 (b) (2) and (4) of the Internal Revenue Code shall be applicable with respect to taxable years beginning after December 31, 1942. A provision having the effect of the amendment made by subsection (c) shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1931.

56 Stat. 920, 905.  
26 U. S. C., Supp.  
III, §§ 731, 735.  
*Post*, pp. 55-57.

*Ante*, p. 44; *supra*.

(e) **TERMINATION OF PERCENTAGE DEPLETION FOR CERTAIN MINERALS.**—The amendments made by subsections (a) and (b) (except as they relate to potash) and the amendments made to section 114 of the Internal Revenue Code by section 145 of the Revenue Act of 1942 (providing percentage depletion for fluorspar, ball and sagger clay, and rock asphalt), shall not apply with respect to any taxable year begin-

56 Stat. 840.  
26 U. S. C., Supp.  
III, § 114.  
*Ante*, p. 44; *supra*.

"Date of the termination of hostilities in the present war."

ning on or after the date of the termination of hostilities in the present war. For the purposes of this subsection the term "date of the termination of hostilities in the present war" means the date proclaimed by the President as the date of such termination, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier.

**SEC. 125. EXCLUSION FROM GROSS INCOME OF CERTAIN COST-OF-LIVING ALLOWANCES PAID TO CIVILIAN OFFICERS AND EMPLOYEES OF THE GOVERNMENT STATIONED OUTSIDE CONTINENTAL UNITED STATES.**

53 Stat. 48.  
26 U. S. C. § 116;  
Supp. III, § 116.  
*Ante*, p. 32.

Foreign Service.

46 Stat. 1207.  
22 U. S. C. § 23c.

43 Stat. 142.  
22 U. S. C. § 12.

(a) **IN GENERAL.**—Section 116 (relating to exclusions from gross income) is amended by adding at the end thereof a new subsection to read as follows:

"(j) In the case of a clerk or employee in the Foreign Service of the United States, amounts received as cost-of-living allowances under authority of section 3, as amended, of the Act of February 23, 1931; and in the case of an ambassador, minister, diplomatic, consular, or Foreign Service officer, amounts received as post allowances under the authority of section 12, as amended and renumbered, of the Act of May 24, 1924; and in the case of other civilian officers or employees of the Government of the United States stationed outside continental United States, amounts received as cost-of-living allowances in accordance with regulations approved by the President."

(b) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1942.

**SEC. 126. NONRECOGNITION OF LOSS ON CERTAIN RAILROAD REORGANIZATIONS MADE RETROACTIVE TO 1939.**

56 Stat. 838.  
26 U. S. C., Supp.  
III, § 112 (b) (9).

(a) **AMENDMENT OF SECTION 112 (b) (9).**—Section 112 (b) (9) (relating to nonrecognition of loss on certain railroad reorganizations) is amended by striking out "1939" and inserting in lieu thereof "1938".

56 Stat. 839.  
26 U. S. C., Supp.  
III, § 113 (a) (20).

(b) **AMENDMENT OF SECTION 113 (a) (20).**—Section 113 (a) (20) (relating to basis of property acquired by railroad corporations in certain railroad reorganizations) is amended by striking out "1939" and inserting in lieu thereof "1938".

56 Stat. 840.  
26 U. S. C., Supp.  
III, §§ 112, 113 notes.

(c) **AMENDMENT OF SECTION 142 (d) OF THE REVENUE ACT OF 1942.**—Section 142 (d) of the Revenue Act of 1942 (prescribing the taxable years to which such section is applicable) is amended by striking out "1939" and inserting in lieu thereof "1938".

**SEC. 127. GAIN OR LOSS UPON THE CUTTING OF TIMBER.**

53 Stat. 50.  
26 U. S. C. § 117;  
Supp. III, § 117.  
*Post*, pp. 47, 236.

(a) **IN GENERAL.**—Section 117 (relating to capital gains and losses) is amended by inserting at the end thereof the following new subsection:

"(k) **GAIN OR LOSS UPON THE CUTTING OF TIMBER.**—

"(1) If the taxpayer so elects upon his return for a taxable year, the cutting of timber (for sale or for use in the taxpayer's trade or business) during such year by the taxpayer who owns, or has a contract right to cut, such timber (providing he has owned such timber or has held such contract right for a period of more than six months prior to the beginning of such year) shall be considered as a sale or exchange of such timber cut during such year. In case such election has been made, gain or loss to the taxpayer shall be recognized in an amount equal to the

difference between the adjusted basis for depletion of such timber in the hands of the taxpayer and the fair market value of such timber. Such fair market value shall be the fair market value as of the first day of the taxable year in which such timber is cut, and shall thereafter be considered as the cost of such cut timber to the taxpayer for all purposes for which such cost is a necessary factor. If a taxpayer makes an election under this paragraph such election shall apply with respect to all timber which is owned by the taxpayer or which the taxpayer has a contract right to cut and shall be binding upon the taxpayer for the taxable year for which the election is made and for all subsequent years, unless the Commissioner, on showing of undue hardship, permits the taxpayer to revoke his election; such revocation, however, shall preclude any further elections under this paragraph except with the consent of the Commissioner.

“(2) In the case of the disposal of timber (held for more than six months prior to such disposal) by the owner thereof under any form or type of contract by virtue of which the owner retains an economic interest in such timber, the difference between the amount received for such timber and the adjusted depletion basis thereof shall be considered as though it were a gain or loss, as the case may be, upon the sale of such timber.”

Disposal when owner retains interest.

(b) **TECHNICAL AMENDMENT.**—Section 117 (j) (1) (relating to gains and losses from involuntary conversion and from the sale or exchange of certain property used in the trade or business) is amended by inserting at the end thereof the following: “Such term also includes timber with respect to which subsection (k) (1) or (2) is applicable.”

56 Stat. 846.  
26 U. S. C., Supp.  
III, § 117 (j) (1).

*Ante*, p. 46; *supra*.

*Supra*.

(c) **EFFECTIVE DATE.**—A provision having the effect of section 117 (k) (2) of the Internal Revenue Code inserted by the amendment made by subsection (a) shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after February 28, 1913. The amendment made by subsection (b) shall be effective as if it were made by section 151 of the Revenue Act of 1942.

56 Stat. 846.  
26 U. S. C., Supp.  
III, § 117 note.

## SEC. 128. ACQUISITIONS TO AVOID INCOME OR EXCESS PROFITS TAX.

(a) **IN GENERAL.**—Chapter 1 is amended by inserting after section 128 the following new section:

56 Stat. 856.  
26 U. S. C., Supp.  
III, § 128.

### “SEC. 129. ACQUISITIONS MADE TO EVADE OR AVOID INCOME OR EXCESS PROFITS TAX.

“(a) **DISALLOWANCE OF DEDUCTION, CREDIT, OR ALLOWANCE.**—If (1) any person or persons acquire, on or after October 8, 1940, directly or indirectly, control of a corporation, or (2) any corporation acquires, on or after October 8, 1940, directly or indirectly, property of another corporation, not controlled, directly or indirectly, immediately prior to such acquisition, by such acquiring corporation or its stockholders, the basis of which property, in the hands of the acquiring corporation, is determined by reference to the basis in the hands of the transferor corporation, and the principal purpose for which such acquisition was made is evasion or avoidance of Federal income or excess profits tax by securing the benefit of a deduction, credit, or other allowance which such person or corporation would not otherwise enjoy, then such deduction, credit, or other allowance shall not be allowed. For the purposes of clauses (1) and (2), control means the ownership of stock possessing at least 50 per centum of the total combined voting power of all classes of stock entitled to vote or at least 50 per centum of the total value of shares of all classes of stock of the corporation.

"(b) **POWER OF COMMISSIONER TO ALLOW DEDUCTION, ETC., IN PART.**—In any case to which subsection (a) is applicable the Commissioner is authorized—

"(1) to allow as a deduction, credit, or allowance any part of any amount disallowed by such subsection, if he determines that such allowance will not result in the evasion or avoidance of Federal income and excess profits tax for which the acquisition was made; or

"(2) to distribute, apportion, or allocate gross income, and distribute, apportion, or allocate the deductions, credits, or allowances the benefit of which was sought to be secured, between or among the corporations, or properties, or parts thereof, involved, and to allow such deductions, credits, or allowances so distributed, apportioned, or allocated, but to give effect to such allowance only to such extent as he determines will not result in the evasion or avoidance of Federal income and excess profits tax for which the acquisition was made; or

"(3) to exercise his powers in part under paragraph (1) and in part under paragraph (2)."

53 Stat. 25.  
26 U. S. C. § 45.

(b) **TECHNICAL AMENDMENT.**—Section 45 (relating to allocation of income and deductions) is amended by striking out "gross income or deductions" and inserting in lieu thereof "gross income, deductions, credits, or allowances".

(c) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1943. The determination of the law applicable to prior taxable years shall be made as if this section had not been enacted and without inferences drawn from the fact that the amendment made by this section is not expressly made applicable to prior taxable years.

#### SEC. 129. DISALLOWANCE OF CERTAIN DEDUCTIONS ATTRIBUTABLE TO BUSINESS OPERATED BY INDIVIDUAL AT LOSS FOR FIVE YEARS.

(a) **IN GENERAL.**—Supplement B of Chapter 1 of the Internal Revenue Code is amended by adding at the end thereof the following new section:

#### "SEC. 130. LIMITATION ON DEDUCTIONS ALLOWABLE TO INDIVIDUALS IN CERTAIN CASES.

"(a) **RECOMPUTATION OF NET INCOME.**—If the deductions (other than taxes and interest) allowable to an individual (except for the provisions of this section) and attributable to a trade or business carried on by him for five consecutive taxable years have, in each of such years, exceeded by more than \$50,000 the gross income derived from such trade or business, the net income of such individual for each of such years shall be recomputed. For the purpose of such recomputation in the case of any such taxable year, such deductions shall be allowed only to the extent of \$50,000 plus the gross income attributable to such trade or business, except that the net operating loss deduction, to the extent attributable to such trade or business, shall not be allowed.

"(b) **REDETERMINATION OF TAX.**—Upon the basis of the net income computed under the provisions of subsection (a) for each of the five consecutive taxable years specified in such subsection, the tax imposed by this chapter shall be redetermined for each such taxable year. If for any such taxable year assessment of a deficiency is prevented

53 Stat. 37.  
26 U. S. C. §§ 111-  
124; Supp. III, §§ 112-  
128.  
*Ante*, pp. 32, 40-47;  
*post*, 75, 230.

(except for the provisions of sections 3801 and 3807) by the operation of any law or rule of law (other than section 3761, relating to compromises) any increase in the tax previously determined for such taxable year shall be considered a deficiency for the purposes of this section. For the purposes of this section the term 'tax previously determined' shall have the meaning assigned to such term by section 3801 (d).

53 Stat. 471, 462,  
26 U. S. C. §§ 3801,  
3761.  
*Post*, pp. 75, 246.

"Tax previously determined."

"(c) **EXTENSION OF STATUTE OF LIMITATIONS.**—Notwithstanding any law or rule of law (other than section 3761, relating to compromises), any amount determined as a deficiency under subsection (b), or which would be so determined if assessment were prevented in the manner described in subsection (b), with respect to any taxable year may be assessed as if on the date of the expiration of the time prescribed by law for the assessment of a deficiency for the fifth taxable year of the five consecutive taxable years specified in subsection (a), one year remained before the expiration of the period of limitation upon assessment for any such taxable year."

53 Stat. 462,  
26 U. S. C. § 3761.

(b) **EFFECTIVE DATE OF AMENDMENT.**—The amendment made by subsection (a) shall be applicable to taxable years beginning after December 31, 1939, but shall not affect any tax liability for any taxable year beginning prior to January 1, 1944.

### SEC. 130. TECHNICAL AMENDMENTS RELATING TO FOREIGN TAX CREDIT.

(a) **LIMIT ON CREDIT.**—Section 131 (b) (relating to limitations on credit allowed for taxes of foreign countries and possessions of the United States) is amended to read as follows:

53 Stat. 56,  
26 U. S. C., Supp.  
III, § 131 (b).

"(b) **LIMIT ON CREDIT.**—The amount of the credit taken under this section shall be subject to each of the following limitations:

"(1) The amount of the credit in respect of the tax paid or accrued to any country shall not exceed, in the case of a taxpayer other than a corporation, the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources within such country bears to his entire net income for the same taxable year, or in the case of a corporation, the same proportion of the tax against which such credit is taken, which the taxpayer's normal-tax net income from sources within such country bears to its entire normal-tax net income for the same taxable year; and

"(2) The total amount of the credit shall not exceed, in the case of a taxpayer other than a corporation, the same proportion of the tax against which such credit is taken, which the taxpayer's net income from sources without the United States bears to his entire net income for the same taxable year, or, in the case of a corporation, the same proportion of the tax against which such credit is taken, which the taxpayer's normal-tax net income from sources without the United States bears to its entire normal-tax net income for the same taxable year; and

"(3) For the purposes of paragraphs (1) and (2) of this subsection, the terms 'normal-tax net income from sources within such country' and 'normal-tax net income from sources without the United States' shall mean the net income from such sources minus an amount equivalent to the same proportion of the credit provided in section 26 (e) which the taxpayer's excess profits net income from such sources bears to its entire excess profits net income for the same taxable year."

Definition of terms.

*Post*, p. 53.

(b) **TAXES OF FOREIGN SUBSIDIARY.**—The first sentence of section 131 (f) (relating to foreign taxes deemed to have been paid by a

53 Stat. 57,  
26 U. S. C., Supp.  
III, § 131 (f).

domestic corporation with respect to the accumulated profits of a foreign subsidiary) is amended to read as follows: "For the purposes of this section, a domestic corporation which owns a majority of the voting stock of a foreign corporation from which it receives dividends in any taxable year shall be deemed to have paid the same proportion of any income, war-profits, or excess-profits taxes paid or deemed to be paid by such foreign corporation to any foreign country or to any possession of the United States, upon or with respect to the accumulated profits of such foreign corporation from which such dividends were paid, which the amount of such dividends bears to the amount of such accumulated profits."

(c) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendment made by subsection (a) shall be effective for all taxable years beginning after December 31, 1941. The amendment made by subsection (b) shall be effective with respect to all taxable years beginning after December 31, 1939.

#### SEC. 131. EXTENSION OF CONSOLIDATED RETURNS PRIVILEGE TO CERTAIN CORPORATIONS.

53 Stat. 59.  
26 U. S. C., Supp.  
III, § 141 (e).

Section 141 (e) (relating to the definition of includible corporations) is amended by adding at the end thereof the following new paragraph:

54 Stat. 987, 988.  
26 U. S. C. §§ 725 (a),  
727 (e), (g), (h).  
Post, p. 58.

"(7) Any corporation described in section 725 (a), or in section 727 (e), (g), or (h) (without regard to the exception in the initial clause of section 727) but not including such a corporation which has made and filed a consent, for the taxable year or any prior taxable year beginning after December 31, 1943, to be treated as an includible corporation. Such consent shall be made and filed at such time and in such manner as may be prescribed by the Commissioner with the approval of the Secretary."

#### SEC. 132. NONRESIDENT ALIENS BROUGHT INTO UNITED STATES UNDER AUTHORITY OF WAR MANPOWER COMMISSION.

53 Stat. 61.  
26 U. S. C., Supp.  
III, § 143 (b).

(a) **IN GENERAL.**—Section 143 (b) (relating to withholding tax at source on nonresident alien individuals) is amended by inserting at the end thereof the following: "In respect of the compensation for services performed by nonresident alien individuals brought into the United States under the authority of the War Manpower Commission for temporary employment essential to the war effort and subject to withholding under this subsection, the deduction and withholding shall be at the rate of 10 per centum, and there shall be no deduction or withholding under section 1622."

57 Stat. 128.  
26 U. S. C., Supp.  
III, § 1622.  
Post, pp. 53, 247, 253,  
255.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be applicable to all compensation paid on or after the tenth day after the date of the enactment of this Act.

#### SEC. 133. RELIEF IN THE CASE OF EXCESS DEDUCTIONS OF ESTATES AND TRUSTS.

56 Stat. 809.  
26 U. S. C., Supp.  
III, § 162 (d).

(a) **IN GENERAL.**—Section 162 (d), relating to deductions in computing the net income of estates and trusts, is amended by adding at the end thereof the following new paragraph:

"(4) **EXCESS DEDUCTIONS.**—If for any taxable year of an estate or trust the deductions allowed under subsection (b) or (c) solely by reason of paragraph (2) or (3) (A) in respect of any income which becomes payable to a legatee, heir, or beneficiary exceed the net income of the estate or trust for such year, computed

without such deductions, the amount of such excess shall not be included in computing the net income of such legatee, heir, or beneficiary under subsection (b) or (c). In cases where the income deductible solely by reason of paragraph (2) or (3) (A) becomes payable to two or more legatees, heirs, or beneficiaries, the benefit of such exclusion shall be divided among such legatees, heirs, and beneficiaries, in the proportions in which they share in such income. In any case where the estate or trust is entitled to a deduction by reason of paragraph (1), in the determination of the net income of the estate or trust for the purposes of this paragraph the amount of such deduction shall be determined with the application of paragraph (3) (A)."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be effective as if it were a part of section 111 of the Revenue Act of 1942 on the date of its enactment.

56 Stat. 809.  
26 U. S. C., Supp.  
III, § 162 note.

#### SEC. 134. TRUSTS FOR MAINTENANCE OR SUPPORT OF CERTAIN BENEFICIARIES.

(a) **INCOME FOR BENEFIT OF GRANTOR.**—Section 167 (relating to income for benefit of grantor) is amended by adding at the end thereof the following subsection:

53 Stat. 68.  
26 U. S. C. § 167.

"(c) Income of a trust shall not be considered taxable to the grantor under subsection (a) or any other provision of this chapter merely because such income, in the discretion of another person, the trustee, or the grantor acting as trustee or cotrustee, may be applied or distributed for the support or maintenance of a beneficiary whom the grantor is legally obligated to support or maintain, except to the extent that such income is so applied or distributed. In cases where the amounts so applied or distributed are paid out of corpus or out of other than income for the taxable year, such amounts shall be considered paid out of income to the extent of the income of the trust for such taxable year which is not paid, credited, or to be distributed under section 162 and which is not otherwise taxable to the grantor."

(b) **TAXABLE YEARS TO WHICH APPLICABLE.**—

53 Stat. 66.  
26 U. S. C. § 162;  
Supp. III § 162.  
*Ante*, p. 50; *post*, p.  
237.

(1) **GENERAL RULE.**—Except as provided in paragraph (2), the amendments made by subsection (a) shall be applicable with respect to taxable years beginning after December 31, 1942, unless a taxable year of the trust beginning in 1942 ends within a taxable year of the grantor beginning in 1943, in which case, except as provided in paragraph (2), such amendments shall not be applicable to such taxable year of the grantor.

(2) **RETROACTIVE EFFECT.**—The amendments made by subsection (a) shall also be applicable with respect to all taxable years to which such amendments are not made applicable under paragraph (1), in the same manner as if such amendments had been a part of the revenue laws applicable to such taxable years, but only if there are filed with the Commissioner (in accordance with regulations prescribed by him with the approval of the Secretary) at such time and by such persons as may be prescribed under such regulations, signed consents that there shall be paid, at such time as the Commissioner may prescribe, all of the taxes under Chapter 1 of the Internal Revenue Code or under the corresponding provisions of prior revenue laws which would have been paid for the taxable years concerned if such amendments had been a part of the revenue laws applicable to such taxable years.

53 Stat. 4.  
26 U. S. C. §§ 1-396;  
Supp. III, §§ 3-476.  
*Ante*, p. 26 *et seq*;  
*post*, pp. 231 *et seq*; 647.

(3) **DEFICIENCIES AND OVERPAYMENTS.**—The period of limitations provided in sections 275 and 276 of the Internal Revenue Code or corresponding provisions of a prior revenue law on

53 Stat. 86, 87.  
26 U. S. C. §§ 275,  
276.

making of assessments and the beginning of distraint or a proceeding in court for collection shall with respect to any deficiency resulting from any such consents include one year immediately after the date such consents were filed, and such assessment and collection may be made notwithstanding any provision of the internal revenue laws or any rule of law which would otherwise prevent such assessment and collection. The period within which claim for credit or refund may be filed, or credit or refund allowed or made if no claim is filed, with respect to any overpayment by the grantor resulting from the consents shall include one year immediately after the date of the filing of the consents, and credit or refund may be allowed or made notwithstanding any provision or rule of law (other than this subsection, section 3760 of the Internal Revenue Code or a corresponding provision of prior law, relating to closing agreements, and section 3761 of the Internal Revenue Code or a corresponding provision of prior law, relating to compromises) which would otherwise prevent such credit or refund. No interest shall be allowed or paid on any overpayment, or assessed on any deficiency, resulting from the application of paragraph (2) of this subsection.

53 Stat. 462.  
26 U. S. C. § 3760.

53 Stat. 462.  
26 U. S. C. § 3761.

#### SEC. 135. MUTUAL FIRE INSURANCE COMPANIES ISSUING PERPETUAL POLICIES.

53 Stat. 72; 56 Stat. 870.  
26 U. S. C., Supp. III, § 204 (a).

(a) **TAXABILITY UNDER SECTION 204.**—Section 204 (a) (relating to tax on insurance companies other than life or mutual) is amended as follows:

(1) by inserting in paragraph (1) after "every mutual marine insurance company" the following: "and every mutual fire insurance company exclusively issuing either perpetual policies, or policies for which the sole premium charged is a single deposit which (except for such deduction of underwriting costs as may be provided) is refundable upon cancellation or expiration of the policy";

(2) by inserting in paragraph (2) after "a foreign mutual marine insurance company" the following: "and a foreign mutual fire insurance company described in paragraph (1) of this subsection"; and

(3) by inserting in paragraph (3) after "foreign mutual marine insurance companies" the following: "and foreign mutual fire insurance companies described in paragraph (1) of this subsection".

53 Stat. 73.  
26 U. S. C., § 204 (b) (1).

*Supra.*

(b) **GROSS INCOME.**—Section 204 (b) (1) (relating to a definition of gross income) is amended by inserting after the semicolon at the end thereof, the following: "except that in the case of a mutual fire insurance company described in paragraph (1) of subsection (a) of this section, the amount of single deposit premiums paid to such company shall not be included in gross income";

56 Stat. 872.  
26 U. S. C., Supp. III, § 204 (c) (11).

*Supra.*

(c) **DIVIDENDS.**—Section 204 (c) (11) (relating to deduction of dividends paid or declared) is amended by striking out the period at the end of the first sentence thereof, and inserting the following: ", except in the case of a mutual fire insurance company described in paragraph (1) of subsection (a) of this section."

53 Stat. 74; 56 Stat. 872.  
26 U. S. C., Supp. III, § 207 (a).

(d) **NONTAXABILITY UNDER SECTION 207.**—Section 207 (a) (relating to tax on mutual insurance companies other than life or marine) is amended by inserting after "other than a life or a marine insurance company" and after "other than a life or marine insurance company", wherever appearing therein, the following: "or a fire insurance company subject to the tax imposed by section 204".

53 Stat. 72.  
26 U. S. C. § 204; Supp. III, § 204.  
*Supra.*



(e) **REAL ESTATE; BOND PREMIUM AND DISCOUNT.**—Subsections (c) and (d) of section 207 are amended by striking out “other than life and marine”, wherever appearing therein, and inserting in lieu thereof the following: “subject to the tax imposed by this section”.

53 Stat. 74; 56 Stat. 875.  
26 U. S. C., Supp. III, § 207 (c), (d).

(f) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1941.

#### SEC. 136. TREATY OBLIGATIONS.

No amendment made by this title shall apply in any case where its application would be contrary to any treaty obligation of the United States.

#### SEC. 137. STATUS FOR WITHHOLDING AT SOURCE ON WAGES.

Section 1622 (h) (1) (relating to withholding exemption certificates) is amended to read as follows:

57 Stat. 136.  
26 U. S. C., Supp. III, § 1622 (h) (1).  
*Post*, pp. 253, 255.

“(1) If furnished after the date of commencement of employment with the employer by reason of a change of status, shall take effect with respect to the first payment of wages made on or after the first status determination date which occurs at least thirty days from the date on which such certificate is furnished to the employer, except that at the election of the employer such certificate, if furnished by reason of a change of status occurring on or before July 1 of the calendar year, may be made effective with respect to any previous payment of wages made on or after the date of the furnishing of such certificate. For the purposes of this paragraph the term ‘status determination date’ means January 1 and July 1 of each year.”

“Status determination date.”

## TITLE II—EXCESS PROFITS TAX AND POST-WAR REFUND OF EXCESS PROFITS TAX

### Part I—Excess Profits Tax Amendments

#### SEC. 201. TAXABLE YEARS TO WHICH AMENDMENTS APPLICABLE.

Except as otherwise expressly provided, the amendments made by this title shall be applicable only with respect to taxable years beginning after December 31, 1943.

#### SEC. 202. INCREASE IN EXCESS PROFITS TAX RATE.

(a) **IN GENERAL.**—Section 710 (a) (1) (A) (relating to the rate of excess profits tax) is amended to read as follows:

56 Stat. 899.  
26 U. S. C., Supp. III, § 710 (a) (1) (A).

“(A) 95 per centum of the adjusted excess profits net income, or”.

(b) **TECHNICAL AMENDMENT RELATING TO PUBLIC UTILITIES.**—Section 710 (a) (1) (B) (relating to the 80 per centum limitation) is amended by inserting before the period at the end thereof the following: “, and without regard to 80 per centum of the credit provided in section 26 (h) (relating to credit for dividends paid on certain preferred stock)”.

56 Stat. 899.  
26 U. S. C., Supp. III, § 710 (a) (1) (B).

(c) **CREDIT FOR INCOME SUBJECT TO EXCESS PROFITS TAX.**—Section 26 (e) (relating to the credit for income subject to the excess profits tax) is amended by striking out “90 per centum” and inserting in lieu thereof “95 per centum”.

56 Stat. 830.  
26 U. S. C., Supp. III, § 26 (h).  
*Ante*, p. 36.

53 Stat. 19; 56 Stat. 806.  
26 U. S. C., Supp. III, § 26 (e).

**SEC. 203. CERTAIN FISCAL YEAR TAXPAYERS.**

(a) **COMPUTATION OF TAX FOR TAXABLE YEARS BEGINNING IN 1943 AND ENDING IN 1944.**—Section 710 (a) (relating to imposition of excess profits tax) is amended by inserting at the end thereof the following new paragraph:

54 Stat. 975.  
26 U. S. C., Supp.  
III, § 710 (a).  
*Ante*, p. 53; *infra*.

“(6) **TAXABLE YEARS BEGINNING IN 1943 AND ENDING IN 1944.**—In the case of a taxable year beginning in 1943 and ending in 1944, the tax shall be an amount equal to the sum of—

“(A) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1943, were applicable to such taxable year, which the number of days in such taxable year prior to January 1, 1944, bears to the total number of days in such taxable year, plus

“(B) that portion of a tentative tax, computed as if the law applicable to taxable years beginning on January 1, 1944, were applicable to such taxable year, which the number of days in such taxable year after December 31, 1943, bears to the total number of days in such taxable year.”

(b) **COMPUTATION OF TAX FOR TAXABLE YEAR BEGINNING IN 1941 AND ENDING AFTER JUNE 30, 1942.**—Section 710 (a) (3) (relating to certain fiscal year taxpayers) is amended to read as follows:

56 Stat. 900.  
26 U. S. C., Supp.  
III, § 710 (a) (3).

“(3) **TAXABLE YEARS BEGINNING IN 1941 AND ENDING AFTER JUNE 30, 1942.**—In the case of a taxable year beginning in 1941 and ending after June 30, 1942, the tax shall be an amount equal to the sum of—

“(A) that portion of a tentative tax under this subchapter, computed as if the law applicable to taxable years beginning on January 1, 1941, were applicable to such taxable year, which the number of days in such taxable year before July 1, 1942, bears to the total number of days in such taxable year, plus

“(B) that portion of a tentative tax under this subchapter, computed as if the law applicable to taxable years beginning on January 1, 1941, were applicable to such taxable year, but as if the amendments made by sections 105 (a), (b) (other than those relating to dividends on the preferred stock of public utilities), (c), (d), and (e) (1), 202, and 206 of the Revenue Act of 1942 were applicable to such taxable year, which the number of days in such taxable year after June 30, 1942, bears to the total number of days in such taxable year.”

(c) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendment made by subsection (a) shall be applicable only to taxable years beginning in 1943 and ending in 1944. The amendments made by subsection (b) shall be applicable only to taxable years beginning in 1941 and ending after June 30, 1942.

**SEC. 204. INCREASE IN SPECIFIC EXEMPTION.**

(a) **IN GENERAL.**—Section 710 (b) (1) (relating to the specific exemption) is amended by striking out “\$5,000” and inserting in lieu thereof “\$10,000”.

(b) **RETURN REQUIREMENT.**—Section 729 (b) (2) (relating to return requirement) is amended by striking out “\$5,000” and inserting in lieu thereof “\$10,000”.

(c) **CONSOLIDATED RETURNS.**—Section 141 (c) (relating to computation of tax in case of consolidated return) is amended by striking out “\$5,000” and inserting in lieu thereof “\$10,000”.

54 Stat. 975.  
26 U. S. C., Supp.  
III, § 710 (b) (1).

54 Stat. 989; 55 Stat.  
31.  
26 U. S. C., Supp.  
III, § 729 (b) (2).

53 Stat. 58; 56 Stat.  
859.  
26 U. S. C., Supp.  
III, § 141 (c).

## SEC. 205. REDUCTION OF EXCESS PROFITS CREDIT BASED ON INVESTED CAPITAL IN CERTAIN BRACKETS.

Section 714 (relating to the excess profits credit based on invested capital) is amended to read as follows:

54 Stat. 981.  
26 U. S. C., Supp.  
III, § 714.

### "SEC. 714. EXCESS PROFITS CREDIT—BASED ON INVESTED CAPITAL.

"The excess profits credit, for any taxable year, computed under this section, shall be the amount shown in the following table:

"If the invested capital for the tax- The credit shall be:

able year, determined under section  
715 is:

|                                                |                                                         |
|------------------------------------------------|---------------------------------------------------------|
| Not over \$5,000,000-----                      | 8% of the invested capital.                             |
| Over \$5,000,000, but not over<br>\$10,000,000 | \$400,000, plus 6% of the excess over<br>\$5,000,000.   |
| Over \$10,000,000-----                         | \$700,000, plus 5% of the excess over<br>\$10,000,000." |

54 Stat. 982.  
26 U. S. C. § 715.

## SEC. 206. PUBLICITY OF RELIEF GRANTED UNDER SECTION 722.

(a) IN GENERAL.—Section 722 is amended by inserting at the end thereof the following new subsection:

"(g) The Commissioner shall compile for each fiscal year beginning after June 30, 1941, by internal revenue districts, and alphabetically arranged, all cases in which relief has been allowed during such year under the provisions of this section by the Commissioner and by The Tax Court of the United States, as the case may be. Such compilation shall contain the name and address of each taxpayer to which relief has been so allowed, the business in which the taxpayer is engaged, the amount of the excess profits credit before such allowance, the increase in such credit claimed, the increase in such credit allowed, and the amount of the gross reduction in the tax under this subchapter and of the gross increase in the tax under Chapter 1, which results from the operation of this section. In the case of relief allowed by The Tax Court of the United States, the Commissioner shall also set forth the data previously reported under this subsection with respect to relief previously allowed in such case by the Commissioner. Such compilation shall be published in the Federal Register."

54 Stat. 986; 56 Stat.  
914.  
26 U. S. C., Supp.  
III, § 722.  
Compilation of relief  
cases.

(b) TAXABLE YEARS TO WHICH APPLICABLE.—The compilation of cases required by the amendment made by subsection (a) shall not be limited to cases relating to taxable years beginning after December 31, 1943.

53 Stat. 4.  
26 U. S. C. §§ 1-366;  
Supp. III, §§ 3-476.  
Anle, p. 26 et seq.;  
post, pp. 231 et seq.,  
647.

## SEC. 207. STRATEGIC MINERALS.

(a) IN GENERAL.—Section 731 (relating to corporations engaged in mining certain strategic minerals) is amended by inserting after "tungsten," the following: "fluorspar, flake graphite, vermiculite,".

(b) TAXABLE YEARS TO WHICH APPLICABLE.—The amendment made by subsection (a) insofar as it relates to flake graphite shall be applicable with respect to taxable years beginning after December 31, 1942.

56 Stat. 920.  
26 U. S. C., Supp.  
III, § 731.

## SEC. 208. NONTAXABLE INCOME OF CERTAIN INDUSTRIES WITH DEPLETABLE RESOURCES.

(a) TECHNICAL AMENDMENT.—So much of section 735 (relating to nontaxable income from certain mining and timber operations) as precedes subsection (a) is amended to read as follows:

56 Stat. 905.  
26 U. S. C., Supp.  
III, § 735.

**"SEC. 735. NONTAXABLE INCOME FROM CERTAIN MINING AND TIMBER OPERATIONS, AND FROM NATURAL GAS PROPERTIES."**

**(b) DEFINITIONS.—**

56 Stat. 905.  
26 U. S. C., Supp.  
III, § 735 (a) (1)–(a)  
(6).

(1) "LESSOR", "NATURAL GAS COMPANY", ETC.—Section 735 (a) (1), (2), (3), (4), and (5) (defining terms used) are respectively amended to read as follows:

"(1) PRODUCER; LESSOR; NATURAL GAS COMPANY.—The term 'producer' means a corporation which extracts minerals from a mineral property, or which cuts logs from a timber block, in which an economic interest is owned by such corporation. The term 'lessor' means a corporation which owns an economic interest in a mineral property or a timber block, and is paid in accordance with the number of mineral units or timber units recovered therefrom by the person to which such property or block is leased. The term 'natural gas company' means a corporation engaged in the withdrawal, or transportation by pipe line, of natural gas.

"(2) MINERAL UNIT, NATURAL GAS UNIT, AND TIMBER UNIT.—The term 'mineral unit' means a unit of metal, coal, or nonmetallic substance in the minerals recovered from the operation of a mineral property. The term 'natural gas unit' means a unit of natural gas sold by a natural gas company. The term 'timber unit' means a unit of timber recovered from the operation of a timber block.

"(3) EXCESS OUTPUT.—The term 'excess output' means the excess of the mineral units, natural gas units, or timber units for the taxable year over the normal output.

"(4) NORMAL OUTPUT.—The term 'normal output' means the average annual mineral units, or the average annual timber units, as the case may be, recovered in the taxable years beginning after December 31, 1935, and not beginning after December 31, 1939 (hereinafter called 'base period'), of the person owning the mineral property or the timber block (whether or not the taxpayer). The term 'normal output', in the case of a natural gas company, means the average annual natural gas units sold in the taxable years beginning after December 31, 1935, and not beginning after December 31, 1939 (hereinafter called 'base period'), of the person owning the natural gas property (whether or not the taxpayer). The average annual mineral units, natural gas units, or timber units shall be computed by dividing the aggregate of such mineral units, natural gas units, or timber units for the base period by the number of months for which the mineral property, natural gas property, or timber block was in operation during the base period and by multiplying the amount so ascertained by twelve. In any case in which the taxpayer establishes, under regulations prescribed by the Commissioner with the approval of the Secretary, that the operation of any mineral property, natural gas property, or timber block is normally prevented for a specified period each year by physical events outside the control of the taxpayer, the number of months during which such mineral property, natural gas property, or timber block is regularly in operation during a taxable year shall be used in computing the average annual mineral units, natural gas units, or timber units, instead of twelve. Any mineral property, natural gas property, or timber block, which was in operation for less than six months during the base period, shall, for the purposes of this section, be deemed not to have been in operation during the base period.

"(5) **NATURAL GAS PROPERTY.**—The term 'natural gas property' means the property of a natural gas company used for the withdrawal, storage, and transportation by pipe line, of natural gas, excluding any part of such property which is an emergency facility under section 124."

(2) **TIMBER BLOCK.**—Section 735 (a) (8) (defining "timber block") is amended to read as follows:

"(8) **TIMBER BLOCK.**—The term 'timber block' means an operation unit which includes all the taxpayer's timber which would logically go to a single given point of manufacture."

(3) **UNIT NET INCOME.**—Section 735 (a) (12) (defining "unit net income") is amended by inserting after the period at the end thereof the following: "In respect of a natural gas property, the term 'unit net income' means the amount ascertained by dividing the net income, computed in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, from such property during the taxable year by the number of natural gas units sold in such year."

(c) **NONTAXABLE INCOME.**—Section 735 (b) (relating to nontaxable income from exempt excess output) is amended by inserting at the end thereof the following:

"(4) **COAL AND IRON MINES AND TIMBER PROPERTIES NOT IN OPERATION DURING BASE PERIOD.**—For any taxable year, the nontaxable income from exempt excess output of a coal mining or iron mining property or a timber block, which was not in operation during the base period, shall be an amount equal to one-sixth of the net income for such taxable year (computed with the allowance for depletion) from the coal mining or iron mining property or from the timber block, as the case may be.

"(5) **NATURAL GAS COMPANIES.**—In the case of a natural gas company any of the natural gas property of which was in operation during the base period, the nontaxable income from exempt excess output for any taxable year shall be an amount equal to the excess output for such year multiplied by one-half of the unit net income for such year."

(d) **EXCESS PROFITS CREDIT COMPUTED UNDER INCOME CREDIT.**—Section 711 (a) (1) (I) (relating to nontaxable income of certain industries with depletable resources) is amended to read as follows:

"(I) **Nontaxable Income of Certain Industries With Depletable Resources.**—In the case of a producer of minerals, or a producer of logs or lumber from a timber block, or a lessor of mineral property, or a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks provided in section 735; in the case of a natural gas company, as defined in section 735, there shall be excluded nontaxable income from exempt excess output provided in section 735; and in the case of a producer of minerals, or a producer of logs or lumber from a timber block, there shall be excluded nontaxable bonus income provided in section 735. In respect of nontaxable bonus income provided in section 735 (c), a corporation described in section 735 (c) (2) shall be deemed a producer of minerals for the purposes of this subparagraph."

(e) **EXCESS PROFITS CREDIT COMPUTED UNDER INVESTED CAPITAL CREDIT.**—Section 711 (a) (2) (K) (relating to excess profits credit computed under invested capital credit) is amended to read as follows:

"(K) **Nontaxable Income of Certain Industries With Depletable Resources.**—In the case of a producer of minerals,

54 Stat. 999.  
26 U. S. C. § 124;  
Supp. III, § 124.  
56 Stat. 905.  
26 U. S. C., Supp.  
III, § 735 (a) (8).

56 Stat. 906.  
26 U. S. C., Supp.  
III, § 735 (a) (12).

56 Stat. 906.  
26 U. S. C., Supp.  
III, § 735 (b).

56 Stat. 904.  
26 U. S. C., Supp.  
III, § 711 (a) (1) (I).

56 Stat. 905.  
26 U. S. C., Supp.  
III, § 735.  
*Ante*, p. 56; *supra*.

56 Stat. 904.  
26 U. S. C., Supp.  
III, § 711 (a) (2) (K).

56 Stat. 905.  
26 U. S. C., Supp.  
III, § 735.  
*Ante*, pp. 56, 57.

or a producer of logs or lumber from a timber block, or a lessor of mineral property, or a timber block, as defined in section 735, there shall be excluded nontaxable income from exempt excess output of mines and timber blocks provided in section 735; in the case of a natural gas company, as defined in section 735, there shall be excluded nontaxable income from exempt excess output provided in section 735; and in the case of a producer of minerals, or a producer of logs or lumber from a timber block, there shall be excluded nontaxable bonus income provided in section 735. In respect of nontaxable bonus income provided in section 735 (c), a corporation described in section 735 (c) (2) shall be deemed a producer of minerals for the purposes of this subparagraph."

(f) **TAXABLE YEARS TO WHICH CERTAIN AMENDMENTS APPLICABLE.**—The amendments made by this section with respect to lessors of mineral properties which were in operation during the base period, and with respect to lessors of timber blocks, as defined without regard to the amendments made by this section, which were in operation during the base period, and with respect to natural gas companies, shall be applicable with respect to taxable years beginning after December 31, 1941.

## SEC. 209. EXEMPT CORPORATIONS.

54 Stat. 988; 52 Stat. 967.  
26 U. S. C. § 727 (h);  
49 U. S. C. §§ 481-496;  
Supp. III, § 481 *et seq.*

(a) **CORPORATIONS SUBJECT TO TITLE IV OF THE CIVIL AERONAUTICS ACT OF 1938.**—Section 727 (h) (exempting certain corporations subject to Title IV of the Civil Aeronautics Act of 1938) is amended by adding at the end thereof the following new sentence: "Such exclusion from gross income for such year shall also be made in computing the unused excess profits credit adjustment for any other taxable year, but only for the purpose of determining whether the corporation is exempted by this subsection from the tax imposed by this chapter for such other taxable year."

54 Stat. 975.  
26 U. S. C. §§ 710-  
752; Supp. III, § 710  
*et seq.*  
*Ante*, pp. 43, 53-57;  
*supra*.

(b) **RETROACTIVE EFFECT.**—The amendment made by this section shall be effective as if it were a part of the Excess Profits Tax Act of 1940 on the date of the enactment of such Act.

## Part II—Post-War Refund of Excess Profits Tax

### SEC. 250. POST-WAR REFUND OF EXCESS PROFITS TAX.

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 780 (a).

*Ante*, p. 54.

(a) **CREDIT IN CASE OF FISCAL YEAR BEGINNING IN 1941 AND ENDING AFTER JUNE 30, 1942.**—The last sentence of section 780 (a) (providing for a post-war refund of excess profits tax) is amended to read as follows: "For the purposes of this part, in the case of a taxpayer whose tax is determined under section 710 (a) (3), the term 'tax imposed under this subchapter' means the portion of the tentative tax determined under section 710 (a) (3) (B)."

56 Stat. 937.  
26 U. S. C., Supp.  
III, § 780 (c).

(b) **TRANSFERS TO SUCCESSORS OF TAXPAYER.**—Section 780 (c) (relating to terms and maturity of bonds) is amended by inserting after "pledge, hypothecation, or otherwise," the following: "except to a successor as defined in subsection (g)."

*Post*, p. 59.  
56 Stat. 937.  
26 U. S. C., Supp.  
III, § 780 (d).

(c) **EXEMPTION OF PROCEEDS FROM TAX.**—Section 780 (d) (relating to exemption of proceeds of bonds from tax upon redemption) is amended by inserting after "such bond" the following: "paid to the taxpayer".

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 780.  
*Supra*.

(d) **RIGHTS AND LIABILITIES OF SUCCESSOR.**—Section 780 (relating to post-war refund of excess profits tax) is amended by inserting at the end thereof the following:

"(f) **RIGHTS AND LIABILITIES OF SUCCESSORS OF TAXPAYER.**—Subject to, and to the extent provided in, regulations prescribed by the Secretary, a successor of the taxpayer shall succeed to all the rights and liabilities of the taxpayer under this part.

"(g) **DEFINITION OF 'SUCCESSOR'.**—For the purposes of this part the term 'successor' means such person or persons who succeed, either directly or through one or more other persons, to ownership of property of the taxpayer, as the Secretary may by regulations prescribe."

"(e) **EFFECT OF REFUNDS.**—Section 781 (b) (relating to effect of refunds) is amended to read as follows:

56 Stat. 937.  
26 U. S. C., Supp.  
III, § 781 (b).

"(b) **EFFECT OF REFUNDS.**—In the case of an overpayment of the tax imposed by this subchapter for any taxable year for which a credit is provided in section 780 (a), the credit, if any, provided in such section for such taxable year existing in favor of the taxpayer shall be reduced by an amount equal to 10 per centum of the excess of the tax imposed by this subchapter on the basis of which such tax (in respect of which the internal revenue refund or credit is made) was previously computed and paid, over the tax imposed by this subchapter as determined in connection with the determination of the amount of the overpayment. In such a case, if such credit provided in section 780 (a) for such taxable year is less than the amount by which it is required to be reduced, or if there is no such credit then existing in favor of the taxpayer, the excess of such amount over the amount of such credit, if any, shall constitute a charge against the taxpayer to be applied in reduction of the amount of the bonds previously issued to the taxpayer under section 780 (b) with respect to such taxable year. If the bonds issued with respect to such taxable year are not made available for the purpose of such reduction or the amount of such bonds so made available is less than the amount of such charge, such charge or the excess of such charge over the amount of such bonds so made available, as the case may be, shall be applied at the time of the credit or refund (or as of the time of the maturity of bonds issued with respect to such taxable year, if that time is earlier) in reduction of the amount of the credit or refund of the overpayment of the tax."

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 780 (a).  
*Ante*, p. 58.

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 780 (b).

"(f) **LIMITATION ON POST-WAR CREDIT.**—Section 781 (d) (relating to the limitation on the post-war credit or refund of excess profits tax) is amended to read as follows:

56 Stat. 938.  
26 U. S. C., Supp.  
III, § 781 (d).

"(d) **LIMITATION.**—

"(1) **GENERAL RULE.**—The credit under section 780 (a) for any taxable year shall not be greater than the excess of the amount of the tax paid under this subchapter to the United States (and not credited or refunded under the internal revenue laws) in respect of such year over the amount of tax which would be payable to the United States if the excess profits tax rate were 85½ per centum, or, if the limitation of section 710 (a) (1) (B) is applicable, if the amount determined under such section were reduced by 10 per centum.

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 780 (a).  
*Ante*, p. 58.

"(2) **SPECIAL RULE IN CASE OF FISCAL YEARS BEGINNING IN 1941 AND ENDING AFTER JUNE 30, 1942.**—In the case of a taxable year beginning in 1941 and ending after June 30, 1942, the credit under section 780 (a) for such taxable year shall not be greater than the excess of the tax paid under this subchapter to the United States for such taxable year (and not credited or refunded under the internal revenue laws) over the amount of tax which would be payable to the United States under this subchapter if the portion of the tentative tax determined under section 710 (a) (3) (B) were reduced by 10 per centum.

56 Stat. 899.  
26 U. S. C., Supp.  
III, § 710 (a) (1) (B).  
*Ante*, p. 53.

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 780 (a).  
*Ante*, p. 58.

*Ante*, p. 54.

"(3) SPECIAL RULE IN CASE OF CERTAIN FISCAL YEARS BEGINNING IN 1943.—In the case of a taxable year beginning in 1943 and ending in 1944, the credit under section 780 (a) for such taxable year shall not be greater than the excess of the tax paid under this subchapter to the United States for such taxable year (and not credited or refunded under the internal revenue laws) over the amount which would be payable to the United States if—

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 780 (a).  
*Ante*, p. 53.

*Ante*, p. 54.

56 Stat. 899.  
26 U. S. C., Supp.  
III, § 710 (a) (1) (B).  
*Ante*, p. 53.

*Ante*, p. 54.

"(A) in the computation under section 710 (a) (6) (A) the excess profits tax rate were 81 per centum, or, in case the limitation of section 710 (a) (1) (B) is applicable in such computation, if the amount determined under such section 710 (a) (1) (B) were reduced by 10 per centum, and

"(B) in the computation under section 710 (a) (6) (B) the excess profits tax rate were 85½ per centum, or, in case the limitation of section 710 (a) (1) (B) is applicable in such computation, if the amount determined under such section 710 (a) (1) (B) were reduced by 10 per centum."

(g) TAXABLE YEARS TO WHICH APPLICABLE.—The amendments made by subsections (b), (c), and (d), and the amendments made by subsection (e) (except with respect to credits or refunds made on or prior to the date of the enactment of this Act) shall be effective as if made by section 250 of the Revenue Act of 1942. The amendment made by subsection (a), and the amendment made by subsection (f) inserting a new paragraph (2) of section 781 (d) of the Internal Revenue Code, shall be applicable with respect to taxable years beginning in 1941 and ending after June 30, 1942. The amendment made by subsection (f) inserting a new paragraph (3) of section 781 (d) of the Internal Revenue Code shall be applicable with respect to taxable years beginning in 1943 and ending in 1944.

56 Stat. 936.  
26 U. S. C., Supp.  
III, prec. § 780.

#### SEC. 251. TECHNICAL AMENDMENT TO CREDIT FOR DEBT RETIREMENT.

(a) IN GENERAL.—Section 783 (b) (2) (relating to a limitation on the credit for debt retirement) is amended to read as follows:

56 Stat. 936.  
26 U. S. C., Supp.  
III, § 783 (b) (2).

"(2) An amount equal to 40 per centum of the amount by which (A) the amount of indebtedness as of September 1, 1942, or (B) the smallest amount of indebtedness as of the close of any preceding taxable year ending after September 1, 1942, whichever amount is the lesser, exceeds the amount of indebtedness as of the close of the taxable year."

(b) TAXABLE YEARS TO WHICH APPLICABLE.—The amendment made by subsection (a) shall be applicable with respect to taxable years beginning after September 1, 1942.

(c) ELECTION WITH RESPECT TO PRIOR TAXABLE YEARS.—If by reason of the amendment made by subsection (a) a taxpayer would be entitled, had the election provided for in section 783 (a) of the Internal Revenue Code been duly made, to take any credit under such section with respect to a taxable year ended prior to the date of the enactment of this Act in any amount to which such taxpayer would not be entitled were it not for such amendment, the election of the taxpayer to take such credit in such amount may be made within ninety days after the date of the enactment of this Act.

56 Stat. 938.  
26 U. S. C., Supp.  
III, § 783 (a).

### TITLE III—EXCISE TAXES

#### SEC. 301. EFFECTIVE DATE OF THIS TITLE.

This title shall take effect on the first day of the first month which begins more than 10 days after the date of the enactment of this Act.

*Post*, pp. 63, 65.



## SEC. 302. INCREASES IN RATES.

(a) IN GENERAL.—Chapter 9A is amended to read as follows:

54 Stat. 522.  
26 U. S. C. § 1650;  
Supp. III, § 1650 note.

**“Chapter 9A—War Taxes and War Tax Rates**

**“SEC. 1650. WAR TAX RATES OF CERTAIN MISCELLANEOUS TAXES.**

“In lieu of the rates of tax specified in such of the sections of this title as are set forth in the following table, the rates applicable with respect to the period beginning with the effective date of title III of the Revenue Act of 1943 and ending on the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war shall be the rates set forth under the heading ‘War Tax Rate’:

*Ante*, p. 60.

| Section                                                                                                                              | Description of Tax                                                                                                                                    | Old Rate                                                                                                                                | War Tax Rate                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------|
| 1700 (a).....                                                                                                                        | Admissions.....                                                                                                                                       | 1 cent for each 10 cents or fraction thereof.                                                                                           | 1 cent for each 5 cents or major fraction thereof.                                                                                        |
| 1700 (b).....                                                                                                                        | Permanent Use or Lease of Boxes or Seats.                                                                                                             | 11 per centum.....                                                                                                                      | 20 per centum.                                                                                                                            |
| 1700 (c).....                                                                                                                        | Sales of Tickets Outside Box Office.                                                                                                                  | 11 per centum.....                                                                                                                      | 20 per centum.                                                                                                                            |
| 1700 (e).....                                                                                                                        | Cabarets, Roof Gardens, Etc.                                                                                                                          | 5 per centum.....                                                                                                                       | 30 per centum.                                                                                                                            |
| 1710 (a) (1).....                                                                                                                    | Dues or Membership Fees.....                                                                                                                          | 11 per centum.....                                                                                                                      | 20 per centum.                                                                                                                            |
| 1710 (a) (2).....                                                                                                                    | Initiation Fees.....                                                                                                                                  | 11 per centum.....                                                                                                                      | 20 per centum.                                                                                                                            |
| 2400 (except as respects watches selling at retail for not more than \$65 and alarm clocks selling at retail for not more than \$5). | Jewelry.....                                                                                                                                          | 10 per centum.....                                                                                                                      | 20 per centum.                                                                                                                            |
| 2401.....                                                                                                                            | Furs.....                                                                                                                                             | 10 per centum.....                                                                                                                      | 20 per centum.                                                                                                                            |
| 2402.....                                                                                                                            | Toilet Preparations.....                                                                                                                              | 10 per centum.....                                                                                                                      | 20 per centum.                                                                                                                            |
| 2800 (a) (1).....                                                                                                                    | Distilled Spirits.....                                                                                                                                | \$6 per gallon.....                                                                                                                     | \$9 per gallon.                                                                                                                           |
| 2800 (a) (3).....                                                                                                                    | Imported Perfumes Containing Distilled Spirits.                                                                                                       | \$6 per gallon.....                                                                                                                     | \$9 per gallon.                                                                                                                           |
| 3030 (a) (1).....                                                                                                                    | Still Wines:<br>(1) Not over 14% of Alcohol.<br>(2) Over 14% and not over 21% of Alcohol.<br>(3) Over 21% and not over 24% of Alcohol.                | 10 cents per gallon.....<br>40 cents per gallon.....<br>\$1 per gallon.....                                                             | 15 cents per gallon.<br>60 cents per gallon.<br>\$2 per gallon.                                                                           |
| 3030 (a) (2).....                                                                                                                    | Sparkling Wines, Liqueurs, and Cordials:<br>(1) Champagne or Sparkling Wine.<br>(2) Artificially Carbonated Wine.<br>(3) Liqueurs, Cordials, Etc..... | 10 cents per half-pint or fraction thereof.<br>5 cents per half-pint or fraction thereof.<br>5 cents per half-pint or fraction thereof. | 15 cents per half-pint or fraction thereof.<br>10 cents per half-pint or fraction thereof.<br>10 cents per half-pint or fraction thereof. |
| 3150.....                                                                                                                            | Fermented Malt Liquors.....                                                                                                                           | \$7 per barrel.....                                                                                                                     | \$8 per barrel.                                                                                                                           |
| 3268.....                                                                                                                            | Billiard and Pool Tables; and Bowling Alleys.                                                                                                         | \$10 per year per table;<br>\$10 per year per alley.                                                                                    | \$20 per year per table; \$20 per year per alley.                                                                                         |
| 3406 (a) (10).....                                                                                                                   | Electric Light Bulbs and Tubes.                                                                                                                       | 5 per centum.....                                                                                                                       | 20 per centum.                                                                                                                            |
| 3465 (a) (1) (A).....                                                                                                                | Telephone, Long Distance.....                                                                                                                         | 20 per centum.....                                                                                                                      | 25 per centum.                                                                                                                            |
| 3465 (a) (1) (B) (insofar as it relates to domestic telegraph, cable, and radio dispatches).                                         | Domestic Telegraph, Cable, or Radio Dispatches.                                                                                                       | 15 per centum.....                                                                                                                      | 25 per centum.                                                                                                                            |
| 3465 (a) (2) (A).....                                                                                                                | Leased Wires, Etc.....                                                                                                                                | 15 per centum.....                                                                                                                      | 25 per centum.                                                                                                                            |
| 3465 (a) (2) (B).....                                                                                                                | Wire and Equipment Service.....                                                                                                                       | 5 per centum.....                                                                                                                       | 8 per centum.                                                                                                                             |
| 3465 (a) (3).....                                                                                                                    | Local Telephone Service.....                                                                                                                          | 10 per centum.....                                                                                                                      | 15 per centum.                                                                                                                            |
| 3469 (a).....                                                                                                                        | Transportation of Persons.....                                                                                                                        | 10 per centum.....                                                                                                                      | 15 per centum.                                                                                                                            |
| 3469 (c).....                                                                                                                        | Seats, Berths, Etc.....                                                                                                                               | 10 per centum.....                                                                                                                      | 15 per centum.                                                                                                                            |

*Post*, p. 273.

*Post*, p. 69.

*Post*, p. 63.

*Post*, p. 67.  
*Post*, p. 64.

**“SEC. 1651. RETAILERS’ EXCISE TAX ON LUGGAGE, ETC.**

“(a) TAX.—There is hereby imposed upon the following articles (including in each case fittings or accessories therefor sold on or in connection with the sale thereof) sold at retail a tax equivalent to 20 per centum of the price for which so sold:

“(1) Trunks, valises, traveling bags, suitcases, satchels, overnight bags, hat boxes for use by travelers, beach bags, bathing suit

bags, brief cases made of leather or imitation leather, and salesmen's sample and display cases.

"(2) Purses, handbags, pocketbooks, wallets, billfolds, and card, pass, and key cases.

"(3) Toilet cases and other cases, bags, and kits (without regard to size, shape, construction, or material from which made) for use in carrying toilet articles or articles of wearing apparel.

"(b) OTHER LAWS APPLICABLE.—All provisions of law (including penalties) applicable in respect of the taxes imposed by Chapter 19 shall be applicable in respect of the tax imposed by subsection (a).

55 Stat. 718.  
26 U. S. C., Supp.  
III, §§ 2400-2411.  
*Ante*, p. 61; *post*, pp.  
63, 64, 69.

#### "SEC. 1652. LEASES, CONDITIONAL SALES, EXISTING CONTRACTS, ETC.

"(a) CASES WHERE RATE OF TAX INCREASED.—In the application of section 2405 or 3441 (c) to the articles with respect to which the rate of tax is increased by this chapter, where the lease, contract of sale, conditional sale, or chattel mortgage was made, delivery thereunder was made, and a part of the consideration was paid, before the effective date of Title III of the Revenue Act of 1943, the total tax referred to in such section shall be the tax at the rate in force on the day before such effective date.

55 Stat. 719; 53 Stat.  
416.  
26 U. S. C., Supp.  
III, §§ 2405, 3441 (c).

*Ante*, p. 60.

"(b) CASES WHERE NEW TAX IMPOSED.—In the case of (1) a lease, (2) a contract for the sale of an article wherein it is provided that the price shall be paid by installments and title to the article sold does not pass until a future date notwithstanding partial payment by installments, (3) a conditional sale, or (4) a chattel mortgage arrangement wherein it is provided that the sales price shall be paid in installments, no tax shall be imposed under section 1651 on the sale of any article if with respect to such article the lease, contract for sale, conditional sale, or chattel mortgage arrangement was made, delivery thereunder was made, and a part of the consideration was paid, before the effective date of Title III of the Revenue Act of 1943.

*Ante*, p. 61.

*Ante*, p. 60.

#### "(c) EXISTING CONTRACTS.—

"(1) TAX PAYABLE BY VENDEE.—If (A) any person has, prior to the effective date of Title III of the Revenue Act of 1943, made a bona fide contract for the sale on or after such date, of any article with respect to the sale of which a tax is imposed by that Act or an existing rate of tax is increased by that Act, and (B) such contract does not permit the adding to the amount to be paid under such contract of the whole of such tax or increased rate of tax, then (unless the contract prohibits such addition) the vendee shall, in lieu of the vendor, pay so much of the tax as is not so permitted to be added to the contract price.

*Ante*, p. 60.

"(2) TAX PAID TO VENDOR.—Taxes payable by the vendee shall be paid to the vendor at the time the sale is consummated, and shall be collected and paid to the United States by the vendor in the same manner as provided in section 3467. In case of failure or refusal by the vendee to pay such taxes to the vendor, the vendor shall report the facts to the Commissioner who shall cause collection of such taxes to be made from the vendee.

53 Stat. 422.  
26 U. S. C. § 3467.

#### "SEC. 1653. ARTICLES CLASSIFIABLE UNDER MORE THAN ONE SECTION.

"In the case of any article classifiable (a) under section 1651 and one or more sections of Chapter 19, or (b) under more than one section

*Ante*, p. 61.

of Chapter 19, only one tax on such article shall be imposed. Where the rates of tax differ, the article shall be subject to tax under that section which imposes the highest rate.

55 Stat. 718.  
26 U. S. C., Supp.  
III, §§ 2400-2411.  
*Ante*, p. 61; *post*, pp.  
64, 69.  
*Infra*.

#### "SEC. 1654. TERMINATION OF WAR TAXES AND WAR RATES.

"The tax imposed by section 1651 shall not apply with respect to any period commencing on or after the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war.

*Ante*, p. 61.

#### "SEC. 1655. DEFINITION.

"For the purposes of this chapter the term 'date of the termination of hostilities in the present war' means the date proclaimed by the President as the date of such termination, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier."

"Date of the termination of hostilities in the present war."

(b) EFFECTIVE DATE OR PERIOD OF CERTAIN INCREASES.—Notwithstanding section 301 of this Act—

*Ante*, p. 60.

(1) CABARET TAX.—The increase made by subsection (a) of this section in the tax imposed by section 1700 (e) of the Internal Revenue Code shall be applicable only with respect to the period beginning at 10:00 A. M. on the first day of the first month which begins more than ten days after the date of the enactment of this Act.

53 Stat. 190.  
26 U. S. C., Supp.  
III, § 1700 (e).  
*Ante*, p. 61; *post*, p. 273.

(2) BILLIARD AND POOL TABLES AND BOWLING ALLEYS.—The increase made by subsection (a) of this section in the tax imposed by section 3268 of the Internal Revenue Code shall be effective with respect to the period beginning July 1, 1944, and continuing through June 30 next following the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war (as defined in Chapter 9A of the Internal Revenue Code).

55 Stat. 723.  
26 U. S. C., Supp.  
III, § 3268.  
*Ante*, p. 61; *post*, p. 64.

*Supra*.

(3) TELEGRAPH, TELEPHONE, RADIO, AND CABLE FACILITIES.—The increases made by subsection (a) of this section in the taxes imposed by section 3465 (a) (1) of the Internal Revenue Code shall apply only to amounts paid for services rendered on or after the effective date of this title. The increases made by subsection (a) in the taxes imposed by section 3465 (a) (2) and (3) of the Internal Revenue Code shall apply only to amounts paid pursuant to bills rendered on or after the first day of the first month beginning after the effective date of this title for services for which no previous bill was rendered. Where bills rendered on or after such first day include charges for services previously rendered, such increased rates shall not apply to such services as were rendered more than two months before such first day, and the provisions of section 3465 in effect at the time such prior services were rendered shall be applicable to the amounts paid for such services.

53 Stat. 422.  
26 U. S. C., Supp.  
III, § 3465 (a) (1)-(a) (3).  
*Ante*, p. 61.

#### SEC. 303. PERSONS MAKING FUR ARTICLES FROM PELTS FURNISHED BY CUSTOMER.

Section 2401 (relating to the retailers' excise tax with respect to fur articles) is amended by inserting at the end thereof the following: "Where a person, who is engaged in the business of dressing or dyeing fur skins or of manufacturing, selling, or repairing fur articles, produces an article of the kind described in this section from fur on the hide or pelt furnished, directly or indirectly, by a customer and the

55 Stat. 718.  
26 U. S. C., Supp.  
III, § 2401.  
*Ante*, p. 61.

article is for the use of, and not for resale by, such customer, the transaction shall be deemed to be a sale at retail and the person producing the article shall be deemed to be the person selling such article at retail for purposes of this section. The tax on such a transaction shall be computed and paid by such person upon the fair retail market value, as determined by the Commissioner, of the finished article."

#### SEC. 304. SUSPENSION OF MANUFACTURERS' EXCISE TAX ON LUGGAGE.

55 Stat. 716.  
26 U. S. C., Supp.  
III, § 3406 (a) (2).

*Ante*, p. 61.

Section 3406 (a) (2) (relating to the tax on luggage) is amended by inserting at the end thereof the following: "The tax imposed by this paragraph shall not be applicable with respect to any period for which a tax is imposed under section 1651."

#### SEC. 305. EXEMPTION OF BILLIARD AND POOL TABLES IN HOSPITALS FROM TAX.

55 Stat. 723.  
26 U. S. C., Supp.  
III, § 3268 (a).  
*Ante*, p. 61.

(a) **IN GENERAL.**—Section 3268 (a) (relating to the tax on bowling alleys and billiard and pool tables) is amended by inserting at the end thereof the following: "No tax shall be imposed under this section with respect to a billiard table or pool table in a hospital if no charge is made for the use of such table."

(b) **EFFECTIVE DATE.**—The amendment made by this section shall be effective beginning July 1, 1944.

#### SEC. 306. TECHNICAL AMENDMENT OF MANUFACTURERS' EXCISE TAX ON TIRES AND INNER TUBES.

53 Stat. 409.  
26 U. S. C., Supp.  
III, § 3400.

Section 3400 (relating to the tax on tires and inner tubes) is amended by inserting at the end thereof the following:

"(c) **DEFINITION.**—For the purposes of this chapter, the term 'rubber' includes synthetic and substitute rubber."

#### SEC. 307. TERMINATION OF CERTAIN GOVERNMENTAL EXCISE TAX EXEMPTIONS.

(a) The several sections of the Internal Revenue Code hereinafter enumerated are amended as follows:

55 Stat. 719.  
26 U. S. C., Supp.  
III, § 2406 (a).

(1) Section 2406 (a) (relating to tax-free sales under Chapter 19) is amended to read as follows:

"(a) for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia;"

53 Stat. 288.  
26 U. S. C. § 2700  
(b) (1).

(2) Section 2700 (b) (1) (relating to exemptions from tax on pistols and revolvers) is amended to read as follows:

"(1) **SALES FOR USE OF STATES, ETC.**—Pistols and revolvers sold for the use of any State, Territory of the United States, or political subdivision thereof, or the District of Columbia, shall be exempt from the tax imposed by subsection (a)."

53 Stat. 412.  
26 U. S. C., Supp.  
III, § 3407.

(3) The second sentence of the first paragraph of section 3407 (relating to exemption from tax on firearms, shells, and cartridges) is amended to read as follows: "The tax imposed by this section shall not apply (1) to articles sold for the use of any State, Territory of the United States, or political subdivision thereof, or the District of Columbia, or (2) to pistols and revolvers."

53 Stat. 412.  
26 U. S. C., Supp.  
III, § 3411 (c).

(4) The first sentence of section 3411 (c) (relating to exemption from tax on electrical energy) is amended to read as follows: "No tax shall be imposed under this section upon electrical energy

sold to any State, Territory of the United States, or political subdivision thereof, or the District of Columbia."

(5) Section 3442 (3) (relating to tax-free sales under Chapter 29) is amended to read as follows:

53 Stat. 416.  
26 U. S. C., Supp.  
III, § 3442 (3).

"(3) for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia."

(6) Section 3443 (a) (3) (A) (i) (relating to credits and refunds of excise taxes imposed by Chapter 29) is amended to read as follows:

53 Stat. 417.  
26 U. S. C. § 3443 (a)  
(3) (A) (i).

"(i) resold for the exclusive use of any State, Territory of the United States, or any political subdivision of the foregoing, or the District of Columbia;"

(7) Section 3466 (a) (relating to exemption from tax on telegraph, telephone, radio, and cable facilities) is amended to read as follows:

55 Stat. 714.  
26 U. S. C., Supp.  
III, § 3466 (a).

"(a) No tax shall be imposed under section 3465 upon any payment received for services or facilities furnished to any State, Territory of the United States, or political subdivision thereof, or the District of Columbia, or any corporation created by Act of Congress to act in matters of relief under the treaty of Geneva of August 22, 1864."

53 Stat. 422.  
26 U. S. C., Supp.  
III, § 3466.  
*Ante*, p. 61.

(8) Section 3469 (f) (1) (relating to governmental exemption from tax with respect to transportation of persons) is amended to read as follows:

22 Stat. 940.  
55 Stat. 722.  
26 U. S. C., Supp.  
III, § 3469 (f) (1).

"(1) GOVERNMENTAL EXEMPTION.—The tax imposed by this section shall not apply to the payment for transportation or facilities furnished to any State, Territory of the United States, or political subdivision thereof, or the District of Columbia, or any corporation created by Act of Congress to act in matters of relief under the treaty of Geneva of August 22, 1864."

(9) Section 3475 (b) (relating to governmental exemption from tax with respect to transportation of property) is amended to read as follows:

22 Stat. 940.  
56 Stat. 980.  
26 U. S. C., Supp.  
III, § 3475 (b).

"(b) EXEMPTION OF GOVERNMENT TRANSPORTATION.—The tax imposed under this section shall not apply to (1) amounts paid for the transportation of property to or from the government of a State, Territory of the United States, or political subdivision thereof, or the District of Columbia, or any corporation created by Act of Congress to act in matters of relief under the treaty of Geneva of August 22, 1864, (2) amounts paid to the Post Office Department for the transportation of property, or (3) amounts paid by or to the War Shipping Administration for the transportation of property by water from one point in the United States to another, except between points on the Great Lakes."

(b) PERIOD WITH RESPECT TO WHICH APPLICABLE.—Despite the provisions of section 301, the amendments made by this section shall apply as follows:

22 Stat. 940.

*Ante*, p. 60.

(1) The amendments of sections 2406 (a), 3411 (c), and 3442 (3) (except as such section relates to the articles enumerated in section 3404) of the Internal Revenue Code shall be applicable to sales made on or after the first day of the first month which begins three months or more after the date of the enactment of this Act. Such amendments shall not apply to deny an exemption otherwise applicable with respect to any article sold pursuant to a contract entered into prior to the effective date of the amendments, or to any agreement or change order supplemental to such contract bearing the same Government contract number.

*Ante*, p. 64; *supra*.

53 Stat. 411.  
26 U. S. C., Supp.  
III, § 3404.

*Ante*, pp. 64, 65.

53 Stat. 411,  
26 U. S. C., Supp.  
III, § 3404.

*Ante*, p. 65.

*Ante*, p. 65.  
53 Stat. 422,  
26 U. S. C., Supp.  
III, § 3465 (a) (1).  
*Ante*, p. 61.

53 Stat. 422,  
26 U. S. C., Supp.  
III, § 3465 (a) (2), (3).  
*Ante*, p. 61.

*Ante*, p. 65.

(2) The amendments of sections 2700 (b) (1), 3407, and 3442 (3) (insofar as such section relates to the articles enumerated in section 3404) of the Internal Revenue Code, shall be applicable to sales made on or after the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war. Such amendments shall not apply to deny an exemption otherwise applicable with respect to any article sold pursuant to a contract entered into prior to the effective date of the amendments, or to any agreement or change order supplemental to such contract bearing the same Government contract number.

(3) The amendment of section 3443 (a) (3) (A) (i) of the Internal Revenue Code shall not apply to deny the allowance of a credit or refund, otherwise allowable, with respect to the sale of any article by any person to the United States (A) prior to the date on which sales of such article to the United States become taxable, or (B) pursuant to a contract entered into prior to such date, or to any agreement or change order supplemental to such contract bearing the same Government contract number.

(4) The amendment of section 3466 of the Internal Revenue Code, insofar as it relates to the taxes imposed by section 3465 (a) (1), shall be applicable only with respect to messages and dispatches originating on or after the first day of the first month which begins three months or more after the date of the enactment of this Act. Insofar as such amendment relates to the taxes imposed under section 3465 (a) (2) and (3) of the Internal Revenue Code, it shall be applicable only to amounts paid pursuant to bills rendered on or after the first day of the first month which begins three months or more after the date of the enactment of this Act for service for which no previous bill was rendered.

(5) The amendments of sections 3469 (f) (1) and 3475 (b) of the Internal Revenue Code shall be applicable only with respect to amounts paid on or after the first day of the first month which begins three months or more after the date of the enactment of this Act, except that the amendment of such section 3475 (b), insofar as it relates to the exemption of amounts paid by or to the War Shipping Administration, shall be applicable for the period beginning December 1, 1943, and ending on the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war.

(6) For the purposes of this subsection the term "date of the termination of hostilities in the present war" means the date proclaimed by the President as the date of such termination, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier.

(c) POWER OF SECRETARY OF TREASURY TO AUTHORIZE EXEMPTION.—

Notwithstanding the amendments made by this section, the Secretary of the Treasury may authorize exemption from the taxes imposed by Chapter 19, 29, or 30 of the Internal Revenue Code as to any particular articles or services, or class of articles or services, to be purchased for the exclusive use of the United States, if he determines that the imposition of such taxes with respect to such articles or services, or class of articles or services, will cause substantial burden or expense which can be avoided by granting tax exemption and that the full benefit of such exemption, if granted, will accrue to the United States. This subsection shall not be applicable to any contract entered into on or after the first day of the first month which begins

55 Stat. 718; 53 Stat.  
409, 421.  
26 U. S. C. §§ 3400-  
3474; Supp. III, §§  
2400-2411, 3400-3475.  
*Ante*, pp. 61, 63, 64,  
65.  
*Post*, p. 69.

six months or more after the date of the termination of hostilities in the present war.

### SEC. 308. FLOOR STOCKS TAXES.

(a) **DISTILLED SPIRITS.**—Section 2800 is amended by inserting at the end thereof the following new subsection:

53 Stat. 298.  
26 U. S. C. § 2800;  
Supp. III, § 2800.  
*Ante*, p. 61.

“(k) **1944 FLOOR STOCKS TAX.**—

“(1) **TAX.**—Upon all distilled spirits upon which the internal-revenue tax imposed by law has been paid, and which on the effective date of Title III of the Revenue Act of 1943, are held and intended for sale or for use in the manufacture or production of any article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax of \$3 on each proof-gallon, and a proportionate tax at a like rate on all fractional parts of such proof-gallon.

*Ante*, p. 60.

“(2) **RETURNS.**—Under such regulations as the Commissioner with the approval of the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of Title III of the Revenue Act of 1943 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of Title III of the Revenue Act of 1943, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

*Ante*, p. 60.

Time extension.

“(3) **LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of internal-revenue taxes on distilled spirits shall, insofar as applicable and not inconsistent with this subsection, be applicable in respect of the floor stocks tax imposed hereunder. For the purposes of this subsection the term ‘distilled spirits’ shall include products produced in such manner that the person producing them is a rectifier within the meaning of section 3254 (g).”

“Distilled spirits.”

53 Stat. 392.  
26 U. S. C. § 3254  
(g).

(b) **FERMENTED MALT LIQUORS.**—Section 3150 is amended by inserting at the end thereof the following new subsection:

53 Stat. 365.  
26 U. S. C. § 3150;  
Supp. III, § 3150.  
*Ante*, p. 61.

“(f) **1944 FLOOR STOCKS TAX.**—

“(1) **TAX.**—Upon all fermented malt liquors upon which the internal-revenue tax imposed by law has been paid, and which on the effective date of Title III of the Revenue Act of 1943 are held by any person and intended for sale there shall be levied, assessed, collected, and paid a floor stocks tax at a rate of \$1 per barrel of 31 gallons.

*Ante*, p. 60.

“(2) **RETURNS.**—Under such regulations as the Commissioner with the approval of the Secretary shall prescribe, every person required by paragraph (1) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of Title III of the Revenue Act of 1943 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of Title III of the Revenue Act of 1943, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

*Ante*, p. 60.

Time extension.

"(3) **LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of the taxes imposed by subsection (a) shall, insofar as applicable and not inconsistent with this subsection, be applicable with respect to the floor stocks tax imposed by this subsection."

54 Stat. 525.  
26 U. S. C. §§ 3190,  
3191; Supp. III, §§ 3190-  
3193.

(c) **WINES.**—Subchapter F of Chapter 26 is amended by inserting at the end thereof the following new section:

**"SEC. 3194. 1944 FLOOR STOCKS TAX ON WINES.**

*Ante*, p. 60.

"(a) **FLOOR STOCKS TAX.**—Upon all wines upon which the internal-revenue tax imposed by law has been paid, and which on the effective date of Title III of the Revenue Act of 1943 are held and intended for sale or for use in the manufacture or production of an article intended for sale, there shall be levied, assessed, collected, and paid a floor stocks tax at rates equal to the increases in rates of tax made applicable to such articles by section 302 (a) of the Revenue Act of 1943.

*Ante*, p. 61.

*Ante*, p. 60.

Time extension.

"(b) **RETURNS.**—Under such regulations as the Commissioner with the approval of the Secretary shall prescribe, every person required by subsection (a) to pay any floor stocks tax shall, on or before the end of the thirtieth day following the effective date of Title III of the Revenue Act of 1943 make a return and shall, on or before the first day of the third month following such effective date, pay such tax. Payment of the tax shown to be due may be extended to a date not later than the first day of the tenth month following the effective date of Title III of the Revenue Act of 1943, upon the filing of a bond for payment thereof in such form and amount and with such surety or sureties as the Commissioner, with the approval of the Secretary, may prescribe.

53 Stat. 347.  
26 U. S. C. § 3030  
(a); Supp. III, § 3030  
(a).  
*Ante*, p. 61.

"(c) **LAWS APPLICABLE.**—All provisions of law, including penalties, applicable in respect of the taxes imposed by section 3030 (a) shall, insofar as applicable and not inconsistent with this section, be applicable with respect to the floor stocks tax imposed by subsection (a)."

**SEC. 309. DRAWBACK ON DISTILLED SPIRITS.**

53 Stat. 338; 54 Stat.  
971.  
26 U. S. C. § 2887;  
Supp. III, § 2887.

(a) **DISTILLED SPIRITS EXPORTED.**—The third paragraph of section 2887 (relating to drawback on distilled spirits exported) is amended by striking out "but shall not exceed a rate of \$6 per proof-gallon,".

55 Stat. 972.  
26 U. S. C., Supp.  
III, § 3250 (1) (5).  
*Ante*, p. 60.

(b) **DISTILLED SPIRITS USED IN MANUFACTURE OF CERTAIN NON-BEVERAGE PRODUCTS.**—In lieu of the rate of drawback specified in section 3250 (1) (5) of the Internal Revenue Code, the rate applicable with respect to the period beginning with the effective date of Title III of the Revenue Act of 1943 and ending on the first day of the first month which begins six months or more after the date of the termination of hostilities in the present war, shall be \$6.00.

*Ante*, p. 61.

(c) **DISTILLED SPIRITS WITH RESPECT TO WHICH APPLICABLE.**—Subsection (b) shall be applicable only with respect to distilled spirits on which the internal revenue tax was paid at the war tax rate, or at a rate equivalent to the war tax rate, specified in section 1650 of the Internal Revenue Code.

55 Stat. 972.  
26 U. S. C., Supp.  
III, § 3250 (1) (5).

(d) **TIME OF ELIGIBILITY FOR DRAWBACK WITH RESPECT TO DISTILLED SPIRITS USED IN MANUFACTURE OF CERTAIN NON-BEVERAGE PRODUCTS.**—Section 3250 (1) (1) (relating to eligibility for drawback with respect to distilled spirits used in manufacture of certain nonbeverage products) is amended to read as follows:

"(1) **IN GENERAL.**—Any person using distilled spirits produced in a domestic registered distillery or industrial alcohol plant and fully tax-paid in the manufacture or production of medicines,



medicinal preparations, food products, flavors, or flavoring extracts which are unfit for beverage purposes, upon payment of a special tax per annum, shall be eligible for drawback at the time when such distilled spirits are used in the manufacture of such products and as hereinafter provided for."

(e) **TIME FOR FILING CLAIM FOR DRAWBACK WITH RESPECT TO DISTILLED SPIRITS USED PRIOR TO EFFECTIVE DATE OF TITLE III OF ACT.**—Distilled spirits used prior to the effective date of this title in the manufacture or production of medicines, medicinal preparations, food products, flavors, or flavoring extracts which are unfit for beverage purposes, and which are not covered by any claim filed in conformity with law prior to such effective date, shall be regarded as so used during the quarter in which such effective date occurs, and the claim filed by any person for such quarter shall include the drawback claimed with respect to such distilled spirits; provided that no claim shall be allowed which was barred by any provision of any prior law.

*Ante*, p. 60.

#### SEC. 310. EXEMPTION OF SILVER-PLATED FLATWARE FROM TAX ON JEWELRY.

Section 2400 (relating to the retailers' excise tax with respect to jewelry, etc.) is amended by striking out "gold, gold plated, silver, silver-plated or sterling flatware or hollow ware" and inserting in lieu thereof "gold, gold plated, silver, or sterling flatware or hollow ware and silver-plated hollow ware".

55 Stat. 718.  
26 U. S. C., Supp.  
III, § 2400.  
*Ante*, p. 61.

#### SEC. 311. REPEAL OF MANUFACTURERS' EXCISE TAX ON VACUUM CLEANERS.

Section 3406 (a) (3) (relating to the tax with respect to electric, gas, and oil appliances) is amended (a) by inserting "and" before "electric mixers, whippers, and juicers" and (b) by striking out "and household type electric vacuum cleaners".

55 Stat. 716.  
26 U. S. C., Supp.  
III, § 3406 (a) (3).

### TITLE IV—POSTAL RATES

#### SEC. 401. EFFECTIVE DATE.

Except as otherwise expressly provided, this title shall take effect on the thirtieth day after the date of the enactment of this Act.

#### SEC. 402. FIRST CLASS MAIL.

(a) **MAIL FOR LOCAL DELIVERY.**—The rate of postage on all mail matter of the first class mailed for local delivery or for delivery wholly within a county which is entirely within a corporate city and the population of which exceeds one million (except postal cards and private mailing or post cards, and except other first class matter on which the rate of postage under existing law is 1 cent for each ounce or fraction thereof) shall be increased by 1 cent for each ounce or fraction thereof.

(b) **AIR MAIL.**—The rate of postage on air mail shall be increased by 2 cents for each ounce or fraction thereof.

#### SEC. 403. FOURTH CLASS MAIL.

The rate of postage on all mail matter of the fourth class shall be increased by an amount equal to 3 per centum of the rate provided by existing law, or by 1 cent, whichever is the greater. If the 3 per centum amount results in a fractional part of a cent, such fractional part shall be disregarded unless it amounts to one-half cent or more, in which case it shall be increased to 1 cent.

**SEC. 404. MONEY ORDERS.***Post*, p. 733.

The fees for domestic money orders shall be increased by  $66\frac{2}{3}$  per centum, computed in each case, if the amount of such increase is not a multiple of 1 cent, to the nearest multiple of 1 cent above such amount.

**SEC. 405. REGISTERED MAIL.**

The registry fees for registered mail shall be increased by  $33\frac{1}{3}$  per centum, computed in each case to the nearest multiple of 5 cents, and the additional fees for registered mail shall be increased by  $33\frac{1}{3}$  per centum, computed in each case, if the amount of such increase is not a multiple of 1 cent, to the multiple of 1 cent next above such amount.

**SEC. 406. INSURED MAIL.***Post*, p. 733.

The fees for insurance on mail matter shall be increased in each case by an amount equal to the fee provided by existing law.

*Post*, p. 733.**SEC. 407. RECEIPTS ON REGISTERED MAIL AND INSURED MAIL.**

The fees for obtaining receipts for registered mail and insured mail shall in each case be increased by  $33\frac{1}{3}$  per centum, computed in each case, if the amount of such increase is not a multiple of 1 cent, to the multiple of 1 cent next above such amount.

*Post*, p. 733.**SEC. 408. COLLECT-ON-DELIVERY SERVICE.**

(a) **IN GENERAL.**—The fees for collect-on-delivery service with respect to domestic third and fourth class mail shall be increased in each case by an amount equal to the fee provided by existing law.

(b) **EFFECTING DELIVERY UPON CHANGED TERMS.**—The fee for services in effecting delivery of collect-on-delivery mail upon terms differing from those originally stipulated at the time of mailing shall be increased by an amount equal to the fee provided by existing law.

(c) **DEMURRAGE ON COLLECT-ON-DELIVERY PARCELS.**—The demurrage charges on collect-on-delivery parcels shall be increased in each case by an amount equal to the charge provided by existing law.

**SEC. 409. ADDITIONAL FEE FOR DELIVERY OF REGISTERED, INSURED, AND COLLECT-ON-DELIVERY MAIL TO ADDRESSEE ONLY.**

The additional fee for effecting the delivery of domestic registered, insured, and collect-on-delivery mail, the delivery of which is restricted to the addressee only, or to the addressee or order, is increased by an amount equal to the fee provided by existing law.

**SEC. 410. TERMINATION OF INCREASES.**

(a) **IN GENERAL.**—The increases in postal rates, fees, and charges made by this title shall cease to be in effect on and after the first day of the first month which begins at least six months after the termination of hostilities in the present war.

(b) **DEFINITION.**—For the purposes of this section the term "termination of hostilities in the present war" means the date proclaimed by the President as the date of such termination, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier.

## TITLE V—MISCELLANEOUS ESTATE TAX AND GIFT TAX AMENDMENTS, AND OTHER MISCELLANEOUS AMENDMENTS AND PROVISIONS

### SEC. 501. VALUATION OF UNLISTED STOCK AND SECURITIES FOR ESTATE TAX PURPOSES.

Section 811 (relating to gross estate) is amended (a) by striking out “(k)” at the beginning of subsection (k) and inserting in lieu thereof “(l)”, and (b) by inserting after subsection (j) the following:

53 Stat. 120.  
26 U. S. C. § 811;  
Supp. III, § 811.

“(k) VALUATION OF UNLISTED STOCK AND SECURITIES.—In the case of stock and securities of a corporation the value of which by reason of their not being listed on an exchange and by reason of the absence of sales thereof, cannot be determined with reference to bid and asked prices or with reference to sales prices, the value thereof shall be determined taking into consideration, in addition to all other factors, the value of stock or securities of corporations engaged in the same or a similar line of business which are listed on an exchange.”

### SEC. 502. CERTAIN DISCRETIONARY TRUSTS IN CONNECTION WITH GIFT TAX.

(a) AMENDMENT OF THE INTERNAL REVENUE CODE.—Section 1000 of the Internal Revenue Code (imposing the gift tax) is amended by inserting at the end thereof the following:

53 Stat. 144.  
26 U. S. C. § 1000;  
Supp. III, § 1000.

“(e) CERTAIN DISCRETIONARY TRUSTS.—In the case of property in a trust created prior to January 1, 1939, if on and after January 1, 1939, no power to revest title to such property in the grantor could be exercised either by the grantor alone, or by the grantor in conjunction with any other person not having a substantial adverse interest in the disposition of such property or the income therefrom, then a relinquishment by the grantor on or after January 1, 1940, and prior to January 1, 1945, of power or control with respect to the distribution of such property or the income therefrom by an exercise or other termination of such power or control shall not be deemed a transfer of property for the purposes of this chapter. If such property was transferred in trust, the grantor not retaining such power to revest title thereto in himself, or if such power to revest title to such property in the grantor was relinquished, while a law was in effect imposing a tax upon the transfer of property by gift, this subsection shall apply only if (1) gift tax was paid with respect to such transfer or relinquishment, and not credited or refunded, or a gift tax return was made within the time prescribed on account of such transfer or relinquishment but no gift tax was paid with respect to such transfer or relinquishment because of the deductions and exclusions claimed on such return, and (2) the grantor consents, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, for all purposes of this chapter to treat such transfer or relinquishment in the calendar year in which effected, and for all periods thereafter, as having been a transfer of property subject to tax under this chapter. This subsection shall not apply to any payment or other disposition of income occurring prior to the termination of power or control with respect to the future disposition of income from the trust property.”

(b) AMENDMENT OF REVENUE ACT OF 1932.—Section 501 of the Revenue Act of 1932 (imposing a gift tax) is amended by inserting at the end thereof the following:

47 Stat. 245.

"(c) **CERTAIN DISCRETIONARY TRUSTS.**—In the case of property in a trust created prior to January 1, 1939, if on and after January 1, 1939, no power to revest title to such property in the grantor could be exercised either by the grantor alone, or by the grantor in conjunction with any other person not having a substantial adverse interest in the disposition of such property or the income therefrom, then a relinquishment by the grantor on or after January 1, 1939, and prior to January 1, 1940, of power or control with respect to the distribution of such property or the income therefrom by an exercise or other termination of such power or control shall not be deemed a transfer of property for the purposes of this title. If such property was transferred in trust, the grantor not retaining such power to revest title thereto in himself, or if such power to revest title to such property in the grantor was relinquished, while a law was in effect imposing a tax upon the transfer of property by gift, this subsection shall apply only if (1) gift tax was paid with respect to such transfer or relinquishment, and not credited or refunded, or a gift tax return was made within the time prescribed on account of such transfer or relinquishment but no gift tax was paid with respect to such transfer or relinquishment because of the deductions and exclusions claimed on such return, and (2) the grantor consents, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, for all purposes of this title to treat such transfer or relinquishment in the calendar year in which effected, and for all periods thereafter, as having been a transfer of property subject to tax under this title. This subsection shall not apply to any payment or other disposition of income occurring prior to the termination of power or control with respect to the future disposition of income from the trust property."

(c) **INTEREST ON OVERPAYMENTS.**—No interest shall be allowed or paid on any overpayment resulting from the application of this section.

#### SEC. 503. USE OF COMMISSIONERS IN CASES BEFORE THE TAX COURT OF THE UNITED STATES.

53 Stat. 160.  
26 U. S. C. § 1114.

Section 1114 (relating to procuring of testimony, etc., before The Tax Court of the United States) is amended by inserting "(a) **IN GENERAL.**—" before "For", and by inserting at the end thereof the following:

"(b) **COMMISSIONERS.**—The Presiding Judge may from time to time by written order designate an attorney from the legal staff of the court to act as a commissioner in a particular case. The commissioner so designated shall proceed under such rules and regulations as may be promulgated by the court. The commissioner shall receive the same travel and subsistence allowances now or hereafter provided by law for commissioners of the Court of Claims."

#### SEC. 504. RETROACTIVITY OF SEVEN-YEAR STATUTE OF LIMITATIONS RELATING TO BAD DEBTS.

56 Stat. 878.  
26 U. S. C., Supp.  
III, § 322 note.  
Post, p. 74.

Section 169 (c) of the Revenue Act of 1942 (relating to the retroactive effect of section 322 (b) (5) of the Internal Revenue Code) is amended by striking out "after December 31, 1938" and inserting in lieu thereof "after December 31, 1937".

#### SEC. 505. EXTENSION OF TIME IN CONNECTION WITH RELEASE OF POWERS OF APPOINTMENT.

56 Stat. 944, 952; 57  
Stat. 150.  
26 U. S. C., Supp.  
III, §§ 811 note, 1000  
note.  
Post, p. 830.

Section 403 (d) (3) of the Revenue Act of 1942 is amended by striking out "March 1, 1944" wherever it appears and inserting in

lieu thereof "January 1, 1945"; and section 452 (c) of the Revenue Act of 1942 is amended to read as follows:

"(c) **RELEASE BEFORE JANUARY 1, 1945.**—

"(1) A release of power to appoint before January 1, 1945, shall not be deemed a transfer of property by the individual possessing such power.

"(2) This subsection shall apply to all calendar years prior to 1945.

**SEC. 506. REPEAL OF CERTAIN PROVISIONS OF THE CURRENT TAX PAYMENT ACT OF 1943 RELATING TO INCREASED INCOME.**

(a) **IN GENERAL.**—Section 6 (c), (d) (4), (d) (5), and (e) (2) of the Current Tax Payment Act of 1943 is repealed.

57 Stat. 145.  
26 U. S. C. § 1622  
note.

(b) **TECHNICAL AMENDMENTS.**—

(1) Section 6 (d) (2) of the Current Tax Payment Act of 1943 is amended (A) by striking out "(a), (b), and (c)" and inserting in lieu thereof "(a) and (b)", and (B) by striking out "subsections (b) and (c)" and inserting in lieu thereof "subsections (a) and (b)".

(2) Section 6 (d) (3) and (7) of such Act is amended by striking out wherever appearing in each such paragraph "(a), (b), and (c)" and inserting in lieu thereof "(a) and (b)".

(3) Section 6 (d) (6) of such Act is amended by striking out "(a), (b) (2), or (c)" and inserting in lieu thereof "(a) or (b) (2)".

(c) **EFFECTIVE DATE.**—The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1942, and before January 1, 1944.

**SEC. 507. IMPORTATION OF STANDARD NEWSPRINT PAPER.**

(a) **IN GENERAL.**—For the purposes of paragraph 1772 of the Tariff Act of 1930, as amended—

46 Stat. 681.  
19 U. S. C. § 1201,  
par. 1772.

(1) Paper which is in rolls not less than fifteen inches in width shall be deemed to be standard newsprint paper insofar as width of rolls is concerned; and

(2) Paper which weighs not less than thirty pounds (with a 5 per centum manufacturing tolerance permitted) per ream of 500 sheets twenty-four by thirty-six inches shall be deemed to be standard newsprint paper insofar as minimum weight is concerned.

(b) **EFFECTIVE PERIOD.**—The provisions of subsection (a) shall apply with respect to paper entered, or withdrawn from warehouse, for consumption, after the date of the enactment of this Act and while United States newspaper publishers are limited by law or by governmental order or regulation as to the amount of paper they may use in the publication of their newspapers.

**SEC. 508. EXEMPTION FROM TAX ON PLAYING CARDS EXPORTED FOR USE OF ARMED FORCES OUTSIDE CONTINENTAL UNITED STATES.**

(a) **IN GENERAL.**—Section 1830 (relating to the exemption from the tax upon playing cards exported) is amended to read as follows:

53 Stat. 204.  
26 U. S. C. § 1830.

**"SEC. 1830. EXEMPTION IN CASE OF EXPORTATION.**

"Playing cards may be removed from the place of manufacture for export to a foreign country or for shipment to a possession of the

United States (or, until the date on which the President proclaims that hostilities in the present war have terminated, to a territory of the United States for the use of members of the military or naval forces of the United States) without payment of tax, or affixing stamps thereto, under such rules and regulations and the filing of such bonds as the Commissioner, with the approval of the Secretary, may prescribe."

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be effective as of January 1, 1942.

#### SEC. 509. RETROACTIVE EFFECT OF SECTION 169 OF THE REVENUE ACT OF 1942.

56 Stat. 878.  
26 U. S. C., Supp.  
III, § 322 note.  
Ante, p. 72.

56 Stat. 876.  
26 U. S. C., Supp.  
III, § 322 (b) (3).

(a) **IN GENERAL.**—Section 169 (c) of the Revenue Act of 1942 (relating to the effective date of certain amendments to section 322) is amended by inserting at the end thereof the following: "A provision having the effect of the amendment inserting section 322 (b) (3) of the Internal Revenue Code, and a provision having the effect of the amendment made by subsection (b) of this section, shall be deemed to be included in the revenue laws respectively applicable to taxable years beginning after December 31, 1923, but such amendments shall be effective with respect to taxable years beginning prior to January 1, 1942, only if on or at some time after the date of the enactment of the Revenue Act of 1943 the Commissioner may assess the tax for such taxable year solely by reason of having made (either before, on, or after the date of the enactment of the Revenue Act of 1943) an agreement with the taxpayer pursuant to section 276 (b) of the Internal Revenue Code or the corresponding provision of the applicable prior revenue law to extend beyond the time prescribed in section 275 or the corresponding provision of such prior revenue law the date within which the Commissioner may assess the tax."

53 Stat. 87.  
26 U. S. C. § 276 (b).

53 Stat. 86.  
26 U. S. C. § 275.

(b) **CERTAIN TRANSFEREES.**—If a transferee of a taxpayer and the Commissioner executed an agreement to extend the time within which the liability with respect to the tax of the taxpayer for a taxable year beginning in 1936 might be assessed against such transferee, any overpayment of the tax of the taxpayer with respect to such taxable year which The Tax Court of the United States finds has been paid by such transferee shall, when the decision of The Tax Court of the United States has become final, be credited or refunded to such transferee. Such credit or refund shall not exceed the amount paid by the transferee with respect to the tax of the taxpayer for such taxable year within the four years immediately preceding the execution of such agreement.

#### SEC. 510. CAPITAL GAINS AND LOSSES OF CORPORATIONS FOR PURPOSE OF DECLARED VALUE EXCESS PROFITS TAX.

53 Stat. 111.  
26 U. S. C., Supp.  
III, § 602.

(a) **IN GENERAL.**—Section 602 (defining net income for the purposes of the declared value excess profits tax) is amended by inserting before the period at the end thereof the following: ", and by excluding therefrom the excess of the net long-term capital gain over the net short-term capital loss".

(b) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendment made by subsection (a) shall be applicable to taxable years beginning after December 31, 1943.

#### SEC. 511. DEDUCTION FOR DISCLAIMED LEGACIES PASSING TO CHARITIES.

56 Stat. 949.  
26 U. S. C., Supp.  
III, § 812 (d).

(a) **DEDUCTION IN CASE OF CITIZENS AND RESIDENTS.**—The first sentence of section 812 (d) (relating to the deduction for charitable, etc., bequests) is amended by inserting after "if the disclaimer is

made prior to the date prescribed for the filing of the estate tax return" the following: "or, in the case of a decedent dying on or before October 21, 1942, if the disclaimer is made prior to September 1, 1944".

(b) **DEDUCTION IN CASE OF NONRESIDENTS NOT CITIZENS.**—The first sentence of section 861 (a) (3) (relating to the deduction for charitable, etc., bequests) is amended by inserting after "if the disclaimer is made prior to the date prescribed for the filing of the estate tax return" the following: "or, in the case of a decedent dying on or before October 21, 1942, if the disclaimer is made prior to September 1, 1944".

(c) **ESTATES WITH RESPECT TO WHICH AMENDMENTS APPLICABLE.**—The amendments made by this section shall be applicable to estates of decedents dying after February 10, 1939.

## SEC. 512. DISTRIBUTIONS BY PERSONAL HOLDING COMPANIES.

(a) **IN GENERAL.**—The last sentence of section 115 (a) of the Internal Revenue Code is amended by adding after the word "distribution", where it first appears, the following: "(to the extent of its subchapter A net income, whether or not a dividend as defined in the preceding sentence)".

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall be effective for all taxable years beginning after December 31, 1941.

## SEC. 513. PERIOD OF LIMITATIONS IN CASE OF RELATED TAXES UNDER CHAPTER 1 AND CHAPTER 2.

(a) **IN GENERAL.**—The Internal Revenue Code is amended by inserting at the end of Chapter 38 a new section to read as follows:

### "SEC. 3807. PERIOD OF LIMITATIONS IN CASE OF RELATED TAXES UNDER CHAPTER 1 AND CHAPTER 2.

"(a) **DEFINITIONS.**—As used in this section—

"(1) The term 'tax previously determined' shall have the meaning assigned to such term by section 3801 (d).

"(2) The term 'the same taxable year' shall include any taxable year which coincides in whole or in part with the taxable year for which the determination referred to in subsection (b) is made.

"(b) **EXTENSION OF PERIOD OF LIMITATIONS.**—If—

"(1) under a determination in respect of a tax imposed by Chapter 1 or Chapter 2, a deficiency is assessed or a credit or refund of an overpayment is allowed, within the period of limitations properly applicable thereto, and

"(2) the application of the law or facts determined in the ascertainment of such deficiency or overpayment to any other such tax of the taxpayer under Chapter 1 or Chapter 2 for the same taxable year would result in an increase or decrease in the amount of the tax previously determined in respect of such other tax, and

"(3) on any date prior to the expiration of one year from the assessment of a deficiency or the allowance of a credit or refund in respect of the tax referred to in paragraph (1), the assessment of a deficiency or the allowance of a credit or refund in respect of the tax referred to in paragraph (2) is prevented (except for the provisions of section 3801 or 734) by the operation (whether before, on, or after the date of enactment of the Revenue Act of 1943) of any law or rule of law other than this section and other than section 3761 (relating to compromises),

56 Stat. 949.  
26 U. S. C., Supp.  
III, § 861 (a) (3).

56 Stat. 895.  
26 U. S. C., Supp.  
III, § 115 (a).

53 Stat. 4.  
26 U. S. C. §§ 1-4;  
Supp. III, §§ 3, 4.  
Post, p. 234.

53 Stat. 467.  
26 U. S. C. §§ 3790-  
3802; Supp. III,  
§§ 3790-3806.  
Post, pp. 90, 240, 246.

53 Stat. 473.  
26 U. S. C. § 3801 (d).  
Post, p. 246.

53 Stat. 4, 104.  
26 U. S. C. §§ 1-396,  
500-752; Supp. III,  
chs. 1, 2.  
Ante, p. 26 et seq.;  
post, pp. 231 et seq.,  
647.  
Supra.

53 Stat. 471; 55 Stat.  
27.  
26 U. S. C. § 3801;  
Supp. III, § 734.  
Post, p. 246.  
53 Stat. 462.  
26 U. S. C. § 3761.

then upon such date the increase or decrease in the tax referred to in paragraph (2) shall be considered a deficiency or an overpayment, as the case may be. Such deficiency may be assessed and collected or such overpayment may be credited or refunded as if on the date the deficiency is assessed or the credit or refund allowed in respect of the tax referred to in paragraph (1) one year remained before the expiration of the periods of limitation upon assessment or filing claim for refund in respect of the tax referred to in paragraph (2) for the same taxable year.

“(c) **ADJUSTMENT UNAFFECTED BY OTHER ITEMS, ETC.**—In determining whether an increase or decrease in the amount of the tax previously determined shall be considered to result from the application of the law or facts under a determination referred to in subsection (b) (1) changes shall be made in items which are the subject of such determination and in items which are affected thereby, and in no others. The amount which may be assessed or allowed as a credit or refund under subsection (b) shall not be diminished by any credit or set-off based upon any item which was not the subject of such determination or affected thereby. Such amount, if paid, shall not be recovered by a claim or suit for refund or suit for erroneous refund based upon any item which was not the subject of such determination or affected thereby, except in connection with a subsequent application of this section.

“(d) **APPLICATION TO AFFILIATED GROUPS.**—As used in subsection (b) the term ‘any other such tax of the taxpayer’ shall, if the taxpayer was a member of an affiliated group, also include any other such tax of any other member of the group.”

(b) **TAXABLE YEARS TO WHICH APPLICABLE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 1939.

## TITLE VI—FEDERAL UNEMPLOYMENT TAXES

### SEC. 601. CREDITS AGAINST FEDERAL UNEMPLOYMENT TAXES.

53 Stat. 1387.  
26 U. S. C. § 1601  
(a) (3).

(a) Section 1601 (a) (3) (relating to the time within which contributions are required to be paid in order to be allowable as credit) is amended to read as follows:

53 Stat. 136.  
26 U. S. C. § 1604.

“(3) The credit against the tax for any taxable year shall be permitted only for contributions paid on or before the last day upon which the taxpayer is required under section 1604 to file a return for such year; except that credit shall be permitted for contributions paid after such last day, but such credit shall not exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid on or before such last day.”

53 Stat. 1368.  
26 U. S. C. § 1601  
(a) (5).  
53 Stat. 183.  
26 U. S. C. § 1601.

(b) Section 1601 (a) (5) (relating to refunds) is repealed.

(c) Section 1601 (relating to credits against the Federal unemployment tax) is amended by inserting at the end thereof the following:

“(d) **REFUND OR CREDIT.**—Refund or credit of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax (including statutes of limitations). No interest shall be allowed or paid on the amount of any such credit or refund.”



# SEC. 602. CREDIT AGAINST FEDERAL UNEMPLOYMENT TAXES FOR YEARS 1936 TO 1942.

(a) ALLOWANCE OF CREDIT AGAINST TAX FOR 1936, 1937, AND 1938.—Against the tax imposed by section 901 of the Social Security Act for the calendar year 1936, 1937, or 1938, any taxpayer shall be allowed credit (if credit is not allowable under section 902 of such Act) for the amount of contributions paid by him into an unemployment fund under a State law—

(1) Without regard to the date of payment, to the extent hereinafter provided in this subsection;

(2) Without regard to the date of payment, with respect to wages paid after September 19, 1939;

(3) Without regard to the date of payment, if the assets of the taxpayer were, at any time during the period August 11, 1939, to October 8, 1939, inclusive, or the period October 9, 1940, to December 6, 1940, inclusive, or the period September 21, 1941, to November 18, 1941, inclusive, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction.

The provisions of the Social Security Act in force prior to February 11, 1939 (except the provision limiting the credit to amounts paid before the date of filing returns), shall apply to allowance of credit under this subsection; except that the amount of credit against the tax for the calendar year 1936, 1937, or 1938, for contributions paid after December 6, 1940, shall not (unless the credit is allowable on account of paragraph (2) or (3)) exceed 90 per centum of the amount which would have been allowable as credit on account of such contributions had they been paid before the last day upon which the taxpayer was required under section 905 of such Act to file a return for such year. The terms used in this subsection shall have the same meaning as when used in title IX of such Act prior to February 11, 1939. The total credit allowable against the tax imposed by section 901 of such Act for the calendar year 1936, 1937, or 1938 shall not exceed 90 per centum of such tax.

(b) ALLOWANCE OF CREDIT AGAINST TAX FOR 1939, 1940, 1941, AND 1942 WHERE ASSETS IN CONTROL OF COURT.—Against the tax imposed by the Federal Unemployment Tax Act for the calendar year 1939, 1940, 1941, or 1942, any taxpayer shall be allowed credit for the amount of contributions paid by him into an unemployment fund under a State law, without regard to the date of payment, if the assets of the taxpayer were, at any time during the period from the last day upon which the taxpayer was required under section 1604 of the Federal Unemployment Tax Act to file a return of the tax against which credit is claimed to June 30 next following such last day, inclusive, or (in the case of credit against the tax for the calendar year 1939) the period October 9, 1940, to December 6, 1940, inclusive, or the period September 21, 1941, to November 18, 1941, inclusive, or (in the case of credit against the tax for the calendar year 1940) the period September 21, 1941, to November 18, 1941, inclusive, in the custody or control of a receiver, trustee, or other fiduciary appointed by, or under the control of, a court of competent jurisdiction. The provisions of the Federal Unemployment Tax Act (except section 1601 (a) (3)), including such provisions as modified by section 902 (e) of the Social Security Act Amendments of 1939, shall apply to allowance of credit under this subsection. The terms used in this subsection shall have the same meaning as when used in the Federal Unemployment Tax

49 Stat. 639.  
42 U. S. C. §§ 1101,  
1102; Supp. III, §§  
1101, 1102 notes.

49 Stat. 620.  
42 U. S. C. § 301 et  
seq.

49 Stat. 641.  
42 U. S. C. § 1106.

49 Stat. 639-645.  
42 U. S. C. §§ 1101-  
1110; Supp. III, §§  
1101-1109 notes.

53 Stat. 183, 1396.  
26 U. S. C. §§ 1600-  
1611.  
Ante, p. 76.

53 Stat. 186.  
26 U. S. C. § 1604.

Ante, p. 76.  
53 Stat. 1400.  
26 U. S. C. § 1604  
nota.

Act. The total credit allowable against the tax imposed by such Act for the calendar year 1939, 1940, 1941, or 1942 shall not exceed 90 per centum of such tax.

(c) REFUND, CREDIT, OR ABATEMENT.—

(1) Refund or credit of the tax (including penalty and interest collected with respect thereto, if any), based on any credit allowable under this section, may be made in accordance with the provisions of law applicable in the case of erroneous or illegal collection of the tax (including statutes of limitations). No interest shall be allowed or paid on the amount of any such credit or refund.

(2) Any claim for refund or credit, with respect to the tax (including penalty and interest collected with respect thereto, if any) imposed by section 901 of the Social Security Act or section 1600 of the Federal Unemployment Tax Act, based on credit for contributions, which has been disallowed prior to the date of enactment of this Act, the allowance of which would be considered erroneous under section 3774 (b) or section 3775 (b) of the Internal Revenue Code, shall nevertheless be allowable if otherwise allowable under this section or section 1601 of the Federal Unemployment Tax Act.

(3) Notwithstanding the acceptance of an offer in compromise prior to the date of enactment of this Act with respect to any tax (or penalty or interest in connection therewith) imposed by section 901 of the Social Security Act or section 1600 of the Federal Unemployment Tax Act, any claim for refund, credit, or abatement with respect to the tax (including penalty and interest collected with respect thereto, if any) imposed by either of such Acts, based on credit for contributions, shall be allowable if otherwise allowable under this section or section 1601 of the Federal Unemployment Tax Act.

(4) On and after the date of the enactment of this Act no refund, credit, or abatement shall be allowed based on any credit allowable under section 701 of the Revenue Act of 1941.

## TITLE VII—RENEGOTIATION OF WAR CONTRACTS

### SEC. 701. RENEGOTIATION OF WAR CONTRACTS.

(a) **TERMS USED.**—Terms used in this section shall have the same meaning as when used in section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942.

(b) **RENEGOTIATION OF WAR CONTRACTS.**—Section 403, as amended, of the Sixth Supplemental National Defense Appropriation Act, 1942, is amended to read as follows:

“SEC. 403. (a) For the purposes of this section—

“(1) The term ‘Department’ means the War Department, the Navy Department, the Treasury Department, the Maritime Commission, the War Shipping Administration, Defense Plant Corporation, Metals Reserve Company, Defense Supplies Corporation, and Rubber Reserve Company, respectively.

“(2) In the case of the Maritime Commission, the term ‘Secretary’ means the Chairman of such Commission, in the case of the War Shipping Administration, the term ‘Secretary’ means the Administrator of such Administration, and in the case of Defense Plant Corporation, Metals Reserve Company, Defense Supplies Corporation, and Rubber Reserve Company, the term ‘Secretary’ means the board of directors of the appropriate corporation.

49 Stat. 639.  
42 U. S. C. § 1101.  
53 Stat. 183, 1387.  
26 U. S. C. § 1600;  
Supp. III, § 1600 note.

53 Stat. 466.  
26 U. S. C. §§ 3774  
(b), 3775 (b).

53 Stat. 183.  
26 U. S. C. § 1601.  
*Ante*, p. 76.

49 Stat. 639.  
42 U. S. C. § 1101.  
53 Stat. 183, 1387.  
26 U. S. C. § 1600;  
Supp. III, § 1600 note.

53 Stat. 183, 1387.  
26 U. S. C. § 1601.  
*Ante*, p. 76.

55 Stat. 726.  
26 U. S. C., Supp.  
III, § 1600 note.

*Infra*.

56 Stat. 245.  
50 U. S. C., Supp.  
III, app. § 1191.

Renegotiation Act.  
“Department.”

“Secretary.”

"(3) The terms 'renegotiate' and 'renegotiation' include a determination by agreement or order under this section of the amount of any excessive profits.

"Renegotiate," "renegotiation."

"(4) (A) The term 'excessive profits' means the portion of the profits derived from contracts with the Departments and subcontracts which is determined in accordance with this section to be excessive. In determining excessive profits there shall be taken into consideration the following factors:

"Excessive profits."

"(i) efficiency of contractor, with particular regard to attainment of quantity and quality production, reduction of costs and economy in the use of materials, facilities, and manpower;

"(ii) reasonableness of costs and profits, with particular regard to volume of production, normal pre-war earnings, and comparison of war and peacetime products;

"(iii) amount and source of public and private capital employed and net worth;

"(iv) extent of risk assumed, including the risk incident to reasonable pricing policies;

"(v) nature and extent of contribution to the war effort, including inventive and developmental contribution and cooperation with the Government and other contractors in supplying technical assistance;

"(vi) character of business, including complexity of manufacturing technique, character and extent of subcontracting, and rate of turn-over;

"(vii) such other factors the consideration of which the public interest and fair and equitable dealing may require, which factors shall be published in the regulations of the Board from time to time as adopted.

"(B) The term 'profits derived from contracts with the Departments and subcontracts' means the excess of the amount received or accrued under such contracts and subcontracts over the costs paid or incurred with respect thereto. Such costs shall be determined in accordance with the method of cost accounting regularly employed by the contractor in keeping his books, but if no such method of cost accounting has been employed, or if the method so employed does not, in the opinion of the Board or, upon redetermination, in the opinion of The Tax Court of the United States properly reflect such costs, such costs shall be determined in accordance with such method as in the opinion of the Board or, upon redetermination, in the opinion of The Tax Court of the United States does properly reflect such costs. Irrespective of the method employed or prescribed for determining such costs, no item of cost shall be charged to any contract with a Department or subcontract or used in any manner for the purpose of determining such cost, to the extent that in the opinion of the Board or, upon redetermination, in the opinion of The Tax Court of the United States, such item is unreasonable or not properly chargeable to such contract or subcontract. Notwithstanding any other provisions of this section, all items estimated to be allowable as deductions and exclusions under Chapters 1 and 2 E of the Internal Revenue Code (excluding taxes measured by income) shall, to the extent allocable to such contracts and subcontracts (or, in the case of the recomputation of the amortization deduction, allocable to contracts with the Departments and subcontracts), be allowed as items of cost, but in determining the amount of excessive profits to be eliminated proper adjustment shall be made on account of the taxes so excluded, other than Federal taxes, which are attributable to the portion of the profits which are not excessive.

"Profits derived from contracts with the Departments, and subcontracts."

"(C) Notwithstanding any of the provisions of this section to the contrary, no amount shall be allowed as an item of cost (i) by reason

53 Stat. 4; 54 Stat. 975.

26 U. S. C. §§ 1-306, 710-752, Supp. III, §§ 3-476, 710-783.

*Ante*, p. 26 *et seq.*  
*Post*, pp. 231 *et seq.*, 647.

Recomputation of amortization deduction.

54 Stat. 999.  
26 U. S. C. § 124  
(d); Supp. III, § 124  
(d).

53 Stat. 4, 104, 111,  
112; 54 Stat. 975.

26 U. S. C. §§ 1-396,  
500-511, 600-604, 700-  
706, 710-752; Supp.  
III, §§ 3-476, 500-506,  
600-605, 710-783.

*Ante*, p. 26 *et seq.*  
*Post*, pp. 231 *et seq.*,  
647.

Renegotiation made  
prior to recomputa-  
tion.

54 Stat. 999.  
26 U. S. C. § 124 (d);  
Supp. III, § 124 (d).

53 Stat. 4, 104, 111,  
112; 54 Stat. 975.  
26 U. S. C. §§ 1-396,  
500-511, 600-604, 700-  
706, 710-752; Supp. III,  
§§ 3-476, 500-506, 600-  
605, 710-783.

*Ante*, p. 26 *et seq.*  
*Post*, pp. 231 *et seq.*,  
647.

56 Stat. 964.  
26 U. S. C., Supp.  
III, § 3806 (a).  
*Post*, p. 90.

"Subcontract."

of a recomputation of the amortization deduction pursuant to section 124 (d) of the Internal Revenue Code until after such recomputation has been made in connection with a determination of the taxes imposed by Chapters 1, 2A, 2B, 2D, and 2E of the Internal Revenue Code for the fiscal year to which the excessive profits determined by the renegotiation are attributable or (ii) by reason of the application of a carry-over or carry-back under any circumstances. The absence of such a recomputation of the amortization deductions referred to in clause (i) above shall not constitute a cause for postponing the making of an agreement, or the entry of an order, determining the amount of excessive profits, or for staying the elimination thereof.

"(D) Notwithstanding any of the provisions of subsection (c) (4) of this section to the contrary, in the case of a renegotiation which is made prior to such recomputation, there shall be repaid by the United States (without interest) to the contractor or subcontractor after such recomputation the amount of a net renegotiation rebate computed in the following described manner. There shall first be ascertained the portion of the excessive profits determined by the renegotiation which is attributable to the fiscal year with respect to which a net renegotiation rebate is claimed by the contractor or subcontractor (hereinafter referred to as 'renegotiated year'). There shall then be ascertained the amount of the gross renegotiation rebate for the renegotiated year, which amount shall be an allocable part of the additional amortization deduction which is allowed for the renegotiated year upon the recomputation made pursuant to section 124 (d) of the Internal Revenue Code in connection with the determination of the taxes for such year and which is attributable to contracts with the Departments and subcontracts, except that the amount of the gross renegotiation rebate shall not exceed the amount of excessive profits eliminated for the renegotiated year pursuant to the renegotiation. The allocation of the additional amortization deduction attributable to contracts with the Departments and subcontracts, and the allocation of the additional amortization deduction to the renegotiated year shall be determined in accordance with regulations prescribed by the Board. There shall then be ascertained the amount of the contractor's or subcontractor's Federal tax benefit from the renegotiation for the renegotiated year. Such Federal tax benefit shall be the amount by which the taxes for the renegotiated year under Chapters 1, 2A, 2B, 2D, and 2E of the Internal Revenue Code were decreased by reason of omitting from gross income (or by reason of the application of the provisions of section 3806 (a) of the Internal Revenue Code with respect to) that portion of the excessive profits for the renegotiated year which is equal to the amount of the gross renegotiation rebate. The amount by which the gross renegotiation rebate for the renegotiated year exceeds the amount of the contractor's or subcontractor's Federal tax benefit from the renegotiation for such year shall be the amount of the net renegotiation rebate for such year.

"(5) The term 'subcontract' means—

"(A) Any purchase order or agreement to perform all or any part of the work, or to make or furnish any article, required for the performance of any other contract or subcontract, but such term does not include any purchase order or agreement to furnish office supplies; or

"(B) Any contract or arrangement other than a contract or arrangement between two contracting parties, one of which parties is found by the Board to be a bona fide executive officer,

partner, or full-time employee of the other contracting party, (i) any amount payable under which is contingent upon the procurement of a contract or contracts with a Department or of a subcontract or subcontracts, or determined with reference to the amount of such a contract or subcontract or such contracts or subcontracts, or (ii) under which any part of the services performed or to be performed consists of the soliciting, attempting to procure, or procuring a contract or contracts with a Department or a subcontract or subcontracts: *Provided*, That nothing in this sentence shall be construed (1) to affect in any way the validity or construction of provisions in any contract with a Department or any subcontract, heretofore at any time or hereafter made, prohibiting the payment of contingent fees or commissions; or (2) to restrict in any way the authority of the Secretary or the Board to determine the nature or amount of selling expenses under subcontracts as defined in this subparagraph, as a proper element of the contract price or as a reimbursable item of cost, under a contract with a Department or a subcontract.

"(6) The term 'article' includes any material, part, assembly, machinery, equipment, or other personal property.

"(7) The term 'standard commercial article' means an article—

"(A) which is identical in every material respect with an article which was manufactured and sold, and in general civilian, industrial, or commercial use prior to January 1, 1940,

"(B) which is identical in every material respect with an article which is manufactured and sold, as a competitive product, by more than one manufacturer, or which is an article of the same kind and having the same use or uses as an article manufactured and sold, as a competitive product, by more than one manufacturer, and

"(C) for which a maximum price has been established and is in effect under the Emergency Price Control Act of 1942, as amended, or under the Act of October 2, 1942, entitled 'An Act to amend the Emergency Price Control Act of 1942, to aid in preventing inflation, and for other purposes', or which is sold at a price not in excess of the January 1, 1941, selling price.

An article made in whole or in part of substitute materials but otherwise identical in every material respect with the article with which it is compared under subparagraphs (A) and (B) shall be considered as identical in every material respect with such article with which it is so compared.

"(8) The term 'fiscal year' means the taxable year of the contractor or subcontractor under Chapter 1 of the Internal Revenue Code.

"(9) The terms 'received or accrued' and 'paid or incurred' shall be construed according to the method of accounting employed by the contractor or subcontractor in keeping his books.

"(b) Subject to subsection (i), the Secretary of each Department is authorized and directed to insert in each contract made by such Department thirty days or more after the date of the enactment of the Revenue Act of 1943 and involving an estimated amount of more than \$100,000, a provision under which the contractor agrees—

"(1) to the elimination of excessive profits through renegotiation;

"(2) that there may be retained by the United States from amounts otherwise due the contractor, or that he will repay to the United States, if paid to him, any excessive profits;

"Article."

"Standard commercial article."

56 Stat. 23, 765.  
50 U. S. C., Supp.  
III, app. §§ 901-971.  
*Post*, pp. 632, 642,  
784.

"Fiscal year."  
53 Stat. 4.  
26 U. S. C. §§ 1-306;  
Supp. III, §§ 2-476.  
*Ante*, p. 26 *et seq.*,  
*Post*, pp. 231 *et seq.*,  
647.  
"Received or accrued," "paid or incurred."  
Contracts in excess  
of \$100,000.  
Provision to be inserted.

Insertion in sub-  
contracts.  
*Ante*, p. 80.

"(3) that he will insert in each subcontract described in subsection (a) (5) (A) involving an estimated amount of more than \$100,000, and in each subcontract described in subsection (a) (5) (B) involving an estimated amount of more than \$25,000, a provision under which the subcontractor agrees—

"(A) to the elimination of excessive profits through renegotiation;

"(B) that there may be retained by the contractor for the United States from amounts otherwise due the subcontractor, or that the subcontractor will repay to the United States, if paid to him, any excessive profits;

"(C) that the contractor shall be relieved of all liability to the subcontractor on account of any amount so retained, or so repaid by the subcontractor to the United States;

"(D) that he will insert in each subcontract described in subsection (a) (5) (A) involving an estimated amount of more than \$100,000, and in each subcontract described in subsection (a) (5) (B) involving an estimated amount of more than \$25,000, provisions corresponding to those of subparagraphs (A), (B), and (C) and to those of this subparagraph;

"(4) that there may be retained by the United States from amounts otherwise due the contractor, or that he will repay to the United States, as the Secretary may direct, any amounts which under paragraph (3) (B) the contractor is directed to withhold from a subcontractor and which are actually unpaid at the time the contractor receives such direction.

Binding character  
of obligations, condi-  
tion.

The obligations assumed by the contractor or subcontractor under paragraph (1) or (3) (A), as the case may be, agreeing to the elimination of excessive profits through renegotiation shall be binding on him only if the contract or subcontract, as the case may be, is subject to subsection (c). A provision inserted in a contract or subcontract, which recites in substance that the contract or subcontract shall be deemed to contain all the provisions required by this subsection shall be sufficient compliance with this subsection. Whether or not there is inserted in a contract with a Department or subcontract, to which subsection (c) is applicable, the provisions specified in this subsection, such contract or subcontract, as the case may be, shall be considered as having been made subject to such subsection in the same manner and to the same extent as if such provisions had been inserted.

Conferences respect-  
ing excessive profits.  
Notice to contractor  
or subcontractor.

"(c) (1) Whenever, in the opinion of the Board, the amounts received or accrued under contracts with the Departments and subcontracts may reflect excessive profits, the Board shall give to the contractor or subcontractor, as the case may be, reasonable notice of the time and place of a conference to be held with respect thereto. The mailing of such notice by registered mail to the contractor or subcontractor shall constitute the commencement of the renegotiation proceeding. At the conference, which may be adjourned from time to time, the Board shall endeavor to make a final or other agreement with the contractor or subcontractor with respect to the elimination of excessive profits received or accrued, and with respect to such other matters relating thereto as the Board deems advisable. Any such agreement, if made, may, with the consent of the contractor or subcontractor, also include provisions with respect to the elimination of excessive profits likely to be received or accrued. If the Board does not make an agreement with respect to the elimination of excessive profits received or accrued, it shall issue and enter an order determining the amount, if any, of such excessive profits, and forthwith give

Agreement.

Order determining  
amount of excessive  
profits.

notice thereof by registered mail to the contractor or subcontractor. In the absence of the filing of a petition with The Tax Court of the United States under the provisions of and within the time limit prescribed in subsection (e) (1), such order shall be final and conclusive and shall not be subject to review or redetermination by any court or other agency. The Board shall exercise its powers with respect to the aggregate of the amounts received or accrued during the fiscal year (or such other period as may be fixed by mutual agreement) by a contractor or subcontractor under contracts with the Departments and subcontracts, and not separately with respect to amounts received or accrued under separate contracts with the Departments or subcontracts, except that the Board may exercise such powers separately with respect to amounts received or accrued by the contractor or subcontractor under any one or more separate contracts with the Departments or subcontracts at the request of the contractor or subcontractor. Whenever the Board makes a determination with respect to the amount of excessive profits, whether such determination is made by order or is embodied in an agreement with the contractor or subcontractor, it shall, at the request of the contractor or subcontractor, as the case may be, prepare and furnish such contractor or subcontractor with a statement of such determination, of the facts used as a basis therefor, and of its reasons for such determination. Such statement shall not be used in The Tax Court of the United States as proof of the facts or conclusions stated therein.

“(2) Upon the making of an agreement, or the entry of an order, under paragraph (1) by the Board, or the entry of an order under subsection (e) by The Tax Court of the United States, determining excessive profits, the Board shall forthwith authorize and direct the Secretaries or any of them to eliminate such excessive profits (A) by reductions in the amounts otherwise payable to the contractor under contracts with the Departments, or by other revision of their terms; or (B) by withholding from amounts otherwise due to the contractor any amount of such excessive profits; or (C) by directing a contractor to withhold for the account of the United States, from amounts otherwise due to a subcontractor, any amount of such excessive profits of such subcontractor; or (D) by recovery from the contractor, through repayment, credit, or suit any amount of such excessive profits actually paid to him; or (E) by any combination of these methods, as is deemed desirable. Actions on behalf of the United States may be brought in the appropriate courts of the United States to recover from the contractor any amount of such excessive profits actually paid to him and not withheld or eliminated by some other method under this subsection. The surety under a contract or subcontract shall not be liable for the repayment of any excessive profits thereon. Each contractor and subcontractor is hereby indemnified by the United States against all claims by any subcontractor on account of amounts withheld from such subcontractor pursuant to this paragraph. All money recovered in respect of amounts paid to the contractor from appropriations from the Treasury by way of repayment or suit under this subsection shall be covered into the Treasury as miscellaneous receipts. Upon the withholding of any amount of excessive profits or the crediting of any amount of excessive profits against amounts otherwise due a contractor, the Secretary shall certify the amount thereof to the Treasury and the appropriations of his Department shall be reduced by an amount equal to the amount so withheld or credited. The amount of such reductions shall be transferred to the surplus fund of the Treasury. In eliminating excessive profits the Secretary shall allow the contractor or subcontractor credit for Federal income and

*Post*, p. 86.

Exercise of powers with respect to aggregate receipts or accruals.

Statement to be furnished contractor or subcontractor.

Elimination of excessive profits, methods.

Actions for recovery.

Nonliability of surety.  
Indemnification.

Disposition of recoveries.

Certification to Treasury of amounts withheld or credited.

Credit for Federal taxes.

56 Stat. 964.  
26 U. S. C., Supp.  
III, § 3806.  
Post, pp. 90, 246.  
Periods of limitation.

excess profits taxes as provided in section 3806 of the Internal Revenue Code. For the purposes of this paragraph the term 'contractor' includes a subcontractor.

"(3) No proceeding to determine the amount of excessive profits shall be commenced more than one year after the close of the fiscal year in which such excessive profits were received or accrued, or more than one year after the statement required under paragraph (5) is filed with the Board, whichever is the later, and if such proceeding is not so commenced, then upon the expiration of one year following the close of such fiscal year, or one year following the date upon which such statement is so filed, whichever is the later, all liabilities of the contractor or subcontractor for excessive profits received or accrued during such fiscal year shall thereupon be discharged. If an agreement or order determining the amount of excessive profits is not made within one year following the commencement of the renegotiation proceeding, then upon the expiration of such one year all liabilities of the contractor or subcontractor for excessive profits with respect to which such proceeding was commenced shall thereupon be discharged, except that (A) if an order is made within such one year by the Secretary (or an officer or agency designated by the Secretary) pursuant to a delegation of authority under subsection (d) (4), such one-year limitation shall not apply to review of such order by the Board, and (B) such one-year period may be extended by mutual agreement.

Exceptions.

Agreements for  
elimination of exces-  
sive profits and dis-  
charge of liability.

Conclusive force.

Financial state-  
ments.

Penalty.

"(4) For the purposes of this section the Board may make final or other agreements with a contractor or subcontractor for the elimination of excessive profits and for the discharge of any liability for excessive profits under this section. Such agreements may contain such terms and conditions as the Board deems advisable. Any such agreement shall be conclusive according to its terms; and except upon a showing of fraud or malfeasance or a willful misrepresentation of a material fact, (A) such agreement shall not for the purposes of this section be reopened as to the matters agreed upon, and shall not be modified by any officer, employee, or agent of the United States, and (B) such agreement and any determination made in accordance therewith shall not be annulled, modified, set aside, or disregarded in any suit, action, or proceeding.

"(5) (A) Every contractor and subcontractor who holds contracts or subcontracts, to which the provisions of this subsection are applicable, shall, in such form and detail as the Board may by regulations prescribe, file with the Board on or before the first day of the fourth month following the close of the fiscal year (or if such fiscal year has closed on the date of the enactment of the Revenue Act of 1943, on or before the first day of the fourth month following the month in which such date of enactment falls), a financial statement setting forth such information as the Board may by regulations prescribe as necessary to carry out this section. In addition to the statement required under the preceding sentence, every such contractor or subcontractor shall, at such time or times and in such form and detail as the Board may by regulations prescribe, furnish the Board any information, records, or data which is determined by the Board to be necessary to carry out this section. Any person who willfully fails or refuses to furnish any statement, information, records, or data required of them under this subsection, or who knowingly furnishes any such statement, information, records, or data containing information which is false or misleading in any material respect, shall, upon conviction thereof, be punished by a fine of not more than \$10,000 or imprisonment for not more than two years, or both.



"(B) For the purposes of this section the Board shall have the same powers with respect to any such contractor or subcontractor that any agency designated by the President to exercise the powers conferred by Title XIII of the Second War Powers Act, 1942, has with respect to any contractor to whom such title is applicable. In the interest of economy and the avoidance of duplication of inspection and audit, the services of the Bureau of Internal Revenue shall, upon request of the Board and the approval of the Secretary of the Treasury, be made available to the extent determined by the Secretary of the Treasury for the purpose of making examinations and audits under this section.

Inspection and audit.

56 Stat. 185.  
50 U. S. C., Supp.  
III, app. §§ 643-643c.  
Services of Bureau  
of Internal Revenue.

"(6) This subsection shall be applicable to all contracts and subcontracts, to the extent of amounts received or accrued thereunder in any fiscal year ending after June 30, 1943, whether such contracts or subcontracts were made on, prior to, or after the date of the enactment of the Revenue Act of 1943, and whether or not such contracts or subcontracts contain the provisions required under subsection (b), unless (A) the contract or subcontract provides otherwise pursuant to subsection (i), or is exempted under subsection (i), or (B) the aggregate of the amounts received or accrued in such fiscal year by the contractor or subcontractor and all persons under the control of or controlling or under common control with the contractor or subcontractor, under contracts with the Departments and subcontracts (including those described in clause (A)), but excluding subcontracts described in subsection (a) (5) (B) do not exceed \$500,000 and under subcontracts described in subsection (a) (5) (B) do not exceed \$25,000 for such fiscal year. If such fiscal year is a fractional part of twelve months, the \$500,000 amount and the \$25,000 amount shall be reduced to the same fractional part thereof for the purposes of this paragraph.

Application to extent of receipts or accruals in fiscal year.

Fraction of year.

"(d) (1) There is hereby created a War Contracts Price Adjustment Board (in this section called the 'Board'), which shall consist of six members. One of the members shall be an officer or employee of the Department of War and shall be appointed by the Secretary of War, one shall be an officer or employee of the Department of the Navy and shall be appointed by the Secretary of the Navy, one shall be an officer or employee of the Department of the Treasury and shall be appointed by the Secretary of the Treasury, one shall be an officer or employee of the United States Maritime Commission or the War Shipping Administration and shall be appointed jointly by the Chairman of the United States Maritime Commission and the Administrator of the War Shipping Administration, one shall be an officer or employee of the Reconstruction Finance Corporation and shall be appointed by the Chairman of the board of directors of the Reconstruction Finance Corporation, and one shall be an officer or employee of the War Production Board and shall be appointed by the Chairman of the War Production Board. The members of the Board shall not receive additional compensation for service on the Board but shall be allowed and paid necessary travel and subsistence expenses (or a per diem in lieu thereof) while away from their official station on duties of the Board. They shall elect a chairman from among their members. The Board shall have a seal which shall be judicially noticed.

War Contracts Price Adjustment Board.

"(2) The principal office of the Board shall be in the District of Columbia, but it or any division thereof may meet and exercise its powers at any other place within the United States. The Board may establish such number of field offices throughout the United States as it deems necessary to expedite the work of the Board. Four members of the Board shall constitute a quorum, and any power, function,

Offices.

Quorum.

or duty of the Board may be exercised or performed by a majority of the members present if the members present constitute at least a quorum.

Personnel.  
42 Stat. 1488.  
5 U. S. C. §§ 661-674;  
Supp. III, § 661 *et*  
*seq.*

"(3) The Board is authorized, subject to the civil-service laws and the Classification Act of 1923, as amended, to employ and fix the compensation of such officers and employees as it deems necessary to assist it in carrying out its duties under this section. The Board may, with the consent of the head of the Department, agency, or instrumentality of the United States concerned, utilize the services of any officers or employees of the United States, and reimburse such Department, agency, or instrumentality for the services so utilized.

Delegation of power.

"(4) The Board may delegate in whole or in part any power, function, or duty to the Secretary of a Department, and any power, function, or duty so delegated may be delegated in whole or in part by the Secretary to such officers or agencies of the United States as he may designate, and he may authorize successive redelegations of such powers, functions, and duties.

Divisions of Board.

"(5) The chairman of the Board may from time to time divide the Board into divisions of one or more members, assign the members of the Board thereto, and in case of a division of more than one member, designate the chief thereof. The Board may also, by regulations or otherwise, determine the character of cases to be conducted initially by the Board through an officer or officers of, or utilized by, the Board, the character of cases to be conducted initially by the various officers and agencies authorized to exercise powers of the Board pursuant to paragraph (4), the character of cases to be conducted initially by the various divisions of the Board, and the character of cases to be conducted initially by the Board itself. The Board may review any determination by any such officer, agency, or division on its own motion, or in its discretion at the request of any contractor or subcontractor aggrieved thereby. Unless the Board upon its own motion initiates a review of such determination within 60 days from the date of such determination, or at the request of the contractor or subcontractor made within 60 days from the date of such determination initiates a review of such determination within 60 days from the date of such request, such determination shall be deemed the determination of the Board. Upon any review by the Board the Board may determine as the amount of excessive profits an amount either less than, equal to, or greater than that determined by the officer, agency, or division whose action is so reviewed.

Review of deter-  
minations of officers,  
etc.

Redetermination.  
Contractors ag-  
grieved by Board  
order.

"(e) (1) Any contractor or subcontractor aggrieved by an order of the Board determining the amount of excessive profits received or accrued by such contractor or subcontractor may, within ninety days (not counting Sunday or a legal holiday in the District of Columbia as the last day) after the mailing of the notice of such order under subsection (c) (1), file a petition with The Tax Court of the United States for a redetermination thereof. Upon such filing such court shall have exclusive jurisdiction, by order, to finally determine the amount, if any, of such excessive profits received or accrued by the contractor or subcontractor, and such determination shall not be reviewed or redetermined by any court or agency. The court may determine as the amount of excessive profits an amount either less than, equal to, or greater than that determined by the Board. A proceeding before the Tax Court to finally determine the amount, if any, of excessive profits shall not be treated as a proceeding to review the determination of the Board, but shall be treated as a proceeding *de novo*. For the purposes of this subsection the court shall have the same powers and duties, insofar as applicable, in respect of the contractor, the subcon-

Proceeding *de novo*.

Powers and duties  
of Tax Court.

tractor, the Board and the Secretary, and in respect of the attendance of witnesses and the production of papers, notice of hearings, hearings before divisions, review by the Tax Court of decisions of divisions, stenographic reporting, and reports of proceedings, as such court has under sections 1110, 1111, 1113, 1114, 1115 (a), 1116, 1117 (a), 1118, 1120, and 1121 of the Internal Revenue Code in the case of a proceeding to redetermine a deficiency. In the case of any witness for the Board or Secretary, the fees and mileage, and the expenses of taking any deposition shall be paid out of appropriations of the Board or Department available for that purpose, and in the case of any other witnesses, shall be paid, subject to rules prescribed by the court, by the party at whose instance the witness appears or the deposition is taken. The filing of a petition under this subsection shall not operate to stay the execution of the order of the Board under subsection (c) (2).

“(2) Any contractor or subcontractor (excluding a subcontractor described in subsection (a) (5) (B)) aggrieved by a determination of the Secretary made prior to the date of the enactment of the Revenue Act of 1943, with respect to a fiscal year ending before July 1, 1943, as to the existence of excessive profits, which is not embodied in an agreement with the contractor or subcontractor, may, within ninety days (not counting Sunday or a legal holiday in the District of Columbia as the last day) after the date of the enactment of the Revenue Act of 1943, file a petition with The Tax Court of the United States for a redetermination thereof, and any such contractor or subcontractor aggrieved by a determination of the Secretary made on or after the date of the enactment of the Revenue Act of 1943, with respect to any such fiscal year, as to the existence of excessive profits, which is not embodied in an agreement with the contractor or subcontractor, may, within ninety days (not counting Sunday or a legal holiday in the District of Columbia as the last day) after the date of such determination, file a petition with The Tax Court of the United States for a redetermination thereof. Upon such filing such court shall have the same jurisdiction, powers, and duties, and the proceeding shall be subject to the same provisions, as in the case of a petition filed with the court under paragraph (1), except that the amendments made to this section by the Revenue Act of 1943 which are not made applicable as of April 28, 1942, or to fiscal years ending before July 1, 1943, shall not apply.

“(f) For repricing of war contracts, see Title VIII of the Revenue Act of 1943.

“(g) If any provision of this section or the application thereof to any person or circumstance is held invalid, the remainder of the section and the application of such provision to other persons or circumstances shall not be affected thereby.

“(h) This section shall apply only with respect to profits derived from contracts with the Departments and subcontracts which are attributable to performance prior to the termination date. For the purposes of this subsection—

“(1) The profits derived from any contract with a Department or subcontract which shall be deemed ‘attributable to performance prior to the termination date’ shall be—

“(A) in the case of any contract or subcontract the performance of which requires more than twelve months, or in the case of any contract or subcontract with respect to which the powers of the Board are exercised separately pursuant to subsection (c) (1) rather than on a fiscal-year basis, the portion of the profits so derived which is determined by the Board to be equal to the same percentage of the total profits

53 Stat. 160, 161, 162.  
26 U. S. C. §§ 1110,  
1111, 1113, 1114, 1115  
(a), 1116, 1117 (a),  
1118, 1120, 1121; Supp.  
III, § 1100 note.  
*Ante*, p. 72.

Contractors aggrieved by Secretary's determination.

Jurisdiction, powers, and duties of Tax Court.

Repricing.  
*Post*, p. 92.

Saving clause.

Limitation of section.

so derived as the percentage of completion of the contract prior to the termination date; and

"(B) in all other cases, the profits so derived which are received or accrued prior to the termination date; and

"Termination date."

"(2) The term 'termination date' means—

"(A) December 31, 1944; or

"(B) If the President not later than December 1, 1944, finds and by proclamation declares that competitive conditions have not been restored, such date not later than June 30, 1945, as may be specified by the President in such proclamation as the termination date; or

"(C) If the President, not later than June 30, 1945, finds and by proclamation declares that competitive conditions have been restored as of any date within six months prior to the issuance of such proclamation, the date as of which the President in such proclamation declares that competitive conditions have been restored;

except that in no event shall the termination date extend beyond the date proclaimed by the President as the date of the termination of hostilities in the present war, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier.

Exempt contracts.

"(i) (1) The provisions of this section shall not apply to—

"(A) any contract by a Department with any other department, bureau, agency, or governmental corporation of the United States or with any Territory, possession, or State or any agency thereof or with any foreign government or any agency thereof; or

"(B) any contract or subcontract for the product of a mine, oil or gas well, or other mineral or natural deposit, or timber, which has not been processed, refined, or treated beyond the first form or state suitable for industrial use; or

"(C) any contract or subcontract for an agricultural commodity in its raw or natural state, or if the commodity is not customarily sold or has not an established market in its raw or natural state, in the first form or state, beyond the raw or natural state, in which it is customarily sold or in which it has an established market. The term 'agricultural commodity' as used herein shall include but shall not be limited to—

"(i) commodities resulting from the cultivation of the soil such as grains of all kinds, fruits, nuts, vegetables, hay, straw, cotton, tobacco, sugar cane, and sugar beets;

"(ii) natural resins, saps and gums of trees;

"(iii) animals such as cattle, hogs, poultry, and sheep, fish and other marine life, and the produce of live animals, such as wool, eggs, milk and cream; or

"(D) any contract or subcontract with an organization exempt from taxation under section 101 (6) of the Internal Revenue Code; or

"(E) any contract with a Department, awarded as a result of competitive bidding, for the construction of any building, structure, improvement, or facility; or

"(F) any subcontract, directly or indirectly under a contract or subcontract to which this section does not apply by reason of this paragraph.

"(2) The Board is authorized by regulation to interpret and apply the exemptions provided for in paragraph (1) (A), (B), (C), (E), and (F), and interpret and apply the definition contained in subsection (a) (7).

53 Stat. 33.

26 U. S. C. § 161 (8).

Interpretation of exemptions, etc.  
*Supra.*

*Ante*, p. 81.

"(3) In the case of a contractor or subcontractor who produces or acquires the product of a mine, oil or gas well, or other mineral or natural deposit, or timber, and processes, refines, or treats such a product to and beyond the first form or state suitable for industrial use, or who produces or acquires an agricultural product and processes, refines, or treats such a product to and beyond the first form or state in which it is customarily sold or in which it has an established market, the Board shall prescribe such regulations as may be necessary to give such contractor or subcontractor a cost allowance substantially equivalent to the amount which would have been realized by such contractor or subcontractor if he had sold such product at such first form or state. Notwithstanding any other provisions of this section there shall be excluded from consideration in determining whether or not a contractor or subcontractor has received or accrued excessive profits that portion of the profits, derived from contracts with the Departments and subcontracts, attributable to the increment in value of the excess inventory. For the purposes of this paragraph the term 'excess inventory' means inventory of products, hereinbefore described in this paragraph, acquired by the contractor or subcontractor in the form or at the state in which contracts for such products on hand or on contract would be exempted from this section by subsection (i) (1) (B) or (C), which is in excess of the inventory reasonably necessary to fulfill existing contracts or orders. That portion of the profits, derived from contracts with the Departments and subcontracts, attributable to the increment in value of the excess inventory, and the method of excluding such portion of profits from consideration in determining whether or not the contractor or subcontractor has received or accrued excessive profits, shall be determined in accordance with regulations prescribed by the Board. In the case of a renegotiation with respect to a fiscal year ending prior to July 1, 1943, the portion of the profits, derived from contracts with the Departments and subcontracts, attributable to the increment in value of the excess inventory shall (to the extent such portion does not exceed the excessive profits determined) be credited or refunded to the contractor or subcontractor, and in case the determination of excessive profits was made prior to the date of the enactment of the Revenue Act of 1943, such credit or refund shall be made notwithstanding such determination is embodied in an agreement with the contractor or subcontractor, but in either case such credit or refund shall be made only if the contractor or subcontractor, within ninety days after the date of the enactment of the Revenue Act of 1943, files a claim therefor with the Secretary concerned.

Cost allowances to certain processors, etc.

"Excess inventory."

*Ante*, p. 88.

"(4) The Board is authorized, in its discretion, to exempt from some or all of the provisions of this section—

Contracts subject to discretionary exemption.

"(A) any contract or subcontract to be performed outside of the territorial limits of the continental United States or in Alaska;

"(B) any contracts or subcontracts under which, in the opinion of the Board, the profits can be determined with reasonable certainty when the contract price is established, such as certain classes of agreements for personal services, for the purchase of real property, perishable goods, or commodities the minimum price for the sale of which has been fixed by a public regulatory body, of leases and license agreements, and of agreements where the period of performance under such contract or subcontract will not be in excess of thirty days;

"(C) any contract or subcontract or performance thereunder during a specified period or periods, if in the opinion of the Board, the provisions of the contract are otherwise adequate to prevent excessive profits;

"(D) any contract or subcontract for the making or furnishing of a standard commercial article, if, in the opinion of the Board, competitive conditions affecting the sale of such article are such as will reasonably protect the Government against excessive prices;

"(E) any contract or subcontract, if, in the opinion of the Board, competitive conditions affecting the making of such contract or subcontract are such as are likely to result in effective competition with respect to the contract or subcontract price; and

"(F) any subcontract or group of subcontracts not otherwise exempt from the provisions of this section, if, in the opinion of the Board, it is not administratively feasible in the case of such subcontract or in the case of such group of subcontracts to determine and segregate the profits attributable to such subcontract or group of subcontracts from the profits attributable to activities not subject to renegotiation.

The Board may so exempt contracts and subcontracts both individually and by general classes or types.

Prosecution of claims  
against U. S.  
35 Stat. 1107, 1109.

"(j) Nothing in sections 109 and 113 of the Criminal Code (U. S. C., title 18, secs. 198 and 203) or in section 190 of the Revised Statutes (U. S. C., title 5, sec. 99) shall be deemed to prevent any person by reason of service in a Department or the Board during the period (or a part thereof) beginning May 27, 1940, and ending six months after the termination of hostilities in the present war, as proclaimed by the President, from acting as counsel, agent, or attorney for prosecuting any claim against the United States: *Provided*, That such person shall not prosecute any claim against the United States (1) involving any subject matter directly connected with which such person was so employed, or (2) during the period such person is engaged in employment in a Department.

"(k) Nothing in this section shall be construed to limit or restrict any authority or discretion of the Secretary of a Department under the provisions of any other law.

Citation of section.

56 Stat. 964.  
26 U. S. C., Supp.  
III, § 3806 (a) (1) (B),  
(C).

"(l) This section may be cited as the 'Renegotiation Act'."

(c) TECHNICAL AMENDMENTS.—(1) Section 3806 (a) (1) (B) and (C) of the Internal Revenue Code (relating to mitigation of effect of renegotiation of war contracts) are respectively amended by striking out "by the Revenue Act of 1942".

56 Stat. 966.  
26 U. S. C., Supp.  
III, § 3806 (b).

(2) Section 3806 (b) (1) and (b) (2) of the Internal Revenue Code (relating to credit against repayment on account of renegotiation) are respectively amended by inserting after "Chapter 2A," wherever appearing therein "Chapter 2B,".

53 Stat. 111.  
26 U. S. C. §§ 603,  
604; Supp. III, §§ 600-  
605.

*Ante*, p. 74.  
*Post*, p. 246.

(3) Section 3806 (b) of the Internal Revenue Code is further amended by renumbering paragraphs (2) and (3) as paragraphs (3) and (4), respectively, and by inserting after paragraph (1) the following new paragraph:

57 Stat. 141, 145.  
26 U. S. C., Supp.  
III, §§ 58-60, 1622 note.  
*Ante*, pp. 38, 73;  
*post*, p. 242.

"(2) SPECIAL RULES AS TO INDIVIDUALS FOR 1942 AND 1943.—In the case of an individual subject to the provisions of sections 58, 59, and 60 of Chapter 1 and to the provisions of section 6 of the Current Tax Payment Act of 1943—

Credits.

53 Stat. 4.  
26 U. S. C. §§ 1-396;  
Supp. III, §§ 3-476.  
*Ante*, p. 26 *et seq.*  
*Post*, pp. 231 *et seq.*  
647.

"(A) No credit shall be allowed under paragraph (1) of this subsection for any amount by which the tax for the taxable year 1942 under Chapter 1 is decreased by the application of paragraph (1) or paragraph (2) of subsection (a). If, contrary to the foregoing provisions of this subparagraph, any part of the amount shown on the return as such tax for the taxable year 1942 or any part of an amount assessed as such tax for such year or as an addition to such tax is credited against excessive profits eliminated for such year or against an amount disallowed

for such year, the individual shall pay into the Treasury an amount equal to the amount of such credit, and if such amount is not voluntarily paid, the Commissioner shall, despite the provisions of the Current Tax Payment Act of 1943, collect the same under the usual methods employed to collect the tax imposed by Chapter 1. For the purposes of this section the amount required by this subparagraph to be paid into the Treasury shall be considered as an amount of excessive profits eliminated for the taxable year 1942, or an amount disallowed for such year, as the case may be; and despite the provisions of the Current Tax Payment Act of 1943, the payment of such amount shall not be considered as payment on account of the tax or estimated tax for the taxable year 1943.

57 Stat. 126.  
*Ante*, p. 73.

“(B) In the case of a renegotiation with respect to the taxable year 1942 which is made after the enactment of the Current Tax Payment Act of 1943 and prior to the date on which the individual files his return for the taxable year 1943 and with respect to which payment or repayment of the excessive profits eliminated or any part thereof is deferred by agreement, if the amount shown as the tax on the return for the taxable year 1943 reflects the application of paragraph (1) of subsection (a) with respect to the taxable year 1942 and is computed in accordance with the provisions of section 6 of the Current Tax Payment Act of 1943, there shall be credited against the excessive profits eliminated for the taxable year 1942 the amount by which the sum of the estimated tax previously paid for the taxable year 1943 and the payments on account of the taxable year 1942 which are treated as payments on account of the estimated tax for the taxable year 1943, exceeds the amount shown as the tax on the return for the taxable year 1943: *Provided*, That the amount allowable as a credit under the foregoing provisions of this subparagraph shall not exceed (i) the amount of credit of overpayment of tax provided for in the agreement deferring payment or repayment of excessive profits eliminated or (ii) the amount of excessive profits eliminated for the taxable year 1942 which, at the time the credit is allowed, have not been paid or repaid to the United States or an agency thereof or applied as an offset against other amounts due the individual. If any credit is allowed under this subparagraph, no other credit or refund under the internal revenue laws shall be made on account of the amount so allowed with respect to the taxable year 1943. Any credit of overpayment of tax allowed pursuant to the agreement deferring payment or repayment of excessive profits eliminated shall be considered as a credit allowed under this subparagraph.

Renegotiation with respect to taxable year 1942.  
57 Stat. 126.  
*Ante*, p. 73.

57 Stat. 145.  
26 U. S. C., Supp. III, § 1622 note.  
*Ante*, p. 73.

Credit limitation.

“(C) Except as prevented by the provisions of the foregoing subparagraph (B), there shall be credited against the amount of excessive profits eliminated for the taxable year 1942 the amount by which the tax for the taxable year 1943 as computed under section 6 of the Current Tax Payment Act of 1943 is decreased by reason of the application of paragraph (1) of subsection (a) with respect to the taxable year 1942; and there shall be credited against the amount disallowed for the taxable year 1942 the amount by which the tax for the taxable year 1943 as computed under section 6 of the Current Tax Payment Act of 1943 is decreased by reason of the application of paragraph (2) of subsection (a) with respect to the taxable year 1942.

Credits.

57 Stat. 145.  
26 U. S. C., Supp. III, § 1622 note.  
*Ante*, p. 73.

For the purposes of the foregoing provisions of this paragraph, the terms ‘taxable year 1942’ and ‘taxable year 1943’ shall have the meanings assigned to them by section 6 (g) of the Current Tax Payment Act of 1943.”

“Taxable year 1942,”  
“taxable year 1943.”

57 Stat. 140.  
26 U. S. C., Supp. III, § 1622 note.

*Ante*, p. 90.  
56 Stat. 798, 964.  
26 U. S. C., Supp.  
III, § 3806.

*Ante*, p. 78.

(4) The amendments made by paragraph (2) shall be effective as if they were a part of section 3806 of the Internal Revenue Code on the date of the enactment of the Revenue Act of 1942.

(d) **EFFECTIVE DATE.**—The amendments made by subsection (b) shall be effective only with respect to the fiscal years ending after June 30, 1943, except that (1) the amendments inserting subsections (a) (4) (C), (a) (4) (D), (i) (1) (C), (i) (1) (D), (i) (1) (F), (i) (3), and (l) in section 403 of the Sixth Supplemental National Defense Appropriation Act, 1942, shall be effective as if such amendments and subsections had been a part of section 403 of such Act on the date of its enactment, and (2) the amendments adding subsection (d) and (e) (2) to section 403 of such Act shall be effective from the date of the enactment of this Act.

## TITLE VIII—REPRICING OF WAR CONTRACTS

### SEC. 801. REPRICING OF WAR CONTRACTS.

*Terms construed.*

(a) As used in this section the terms "Department", "Secretary" and "article" shall have the same meanings as in subsection (a) of the Renegotiation Act.

*Ante*, p. 78.  
Authority to require  
price negotiation.

(b) When the Secretary of a Department deems that the price of any article or service of any kind, which is required by his Department or directly or indirectly required, furnished, or offered in connection with, or as a part of, the performance or procurement of any contract with his Department or of any subcontract thereunder, is unreasonable or unfair, the Secretary may require the person furnishing or offering to furnish such article or service to negotiate to fix a fair and reasonable price therefor. If such person refuses to agree to a price for such article or service which the Secretary considers fair and reasonable, the Secretary by order may fix the price payable to such person for furnishing such article or service after the effective date of the order, whether under existing agreements or otherwise. The order may prescribe the period during which the price so fixed shall be effective and such other terms and conditions as the Secretary deems appropriate.

*Refusal to agree; fix-  
ing of price.*

*Suit allowed.*

(c) Any person aggrieved by an order fixing a price under this section may sue the United States in any appropriate court. In such suit, such person shall be entitled to recover from the United States the amount of any difference between (1) fair and just compensation for the articles and services furnished under the terms of the order and (2) the price fixed for such articles and services by the order; but if the prices so fixed by the order are found to exceed fair and just compensation for such articles and services, such person shall be liable to the United States in such suit for the amount of this excess. Any such suit shall be brought within six months after the order by the Secretary on which it is based, or after the expiration of the period or periods specified in such order, whichever last occurs. Such a suit shall not stay the order involved.

*Time limitation.*

*Power to take pos-  
session of plants.*

(d) Whenever any person wilfully refuses, or wilfully fails to furnish any such articles or services at the price fixed by an order of the Secretary in accordance with this section, the President shall have power to take immediate possession of the plant or plants of such person and to operate them in accordance with section 9 of the Selective Training and Service Act of 1940, as amended.

54 Stat. 892.  
50 U. S. C. app.  
§ 309; Supp. III, § 309.

*Delegation of au-  
thority.*

(e) The authority and discretion herein conferred upon the Secretary of each Department may be delegated in whole or in part by him to such individuals or agencies as he may designate in his Department, or in any other Department with the consent of the Secretary of that



Department, and he may authorize such individuals or agencies to make further delegations of such authority and discretion.

(f) Every purchase order or agreement, or contract to make or furnish any article or service of any kind, which is required by a Department or directly or indirectly required, furnished, or offered in connection with, or as a part of, the performance or procurement of any contract with such Department or of any subcontract thereunder, shall, if made thirty days or more after the date of the enactment of this Act, be deemed to contain a provision under which the person making or furnishing such article or service agrees that notwithstanding other provisions of the purchase order, agreement, or contract, he shall be entitled to receive for such article or service only the fair and just compensation provided for in subsection (c).

Provision for receipt of fair and just compensation.

#### SEC. 802. EFFECTIVE DATE.

(a) Section 801 shall be effective from the date of the enactment of this Act.

(b) Section 801 shall not apply to any contract with a Department or any subcontract made after the date proclaimed by the President as the date of the termination of hostilities in the present war or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier.

Expiration.

### TITLE IX—SOCIAL SECURITY TAXES

#### SEC. 901. AUTOMATIC INCREASE IN 1944 RATE NOT TO APPLY.

(a) Clauses (1) and (2) of section 1400 of the Federal Insurance Contributions Act (Internal Revenue Code, sec. 1400) are amended to read as follows:

53 Stat. 175.  
26 U. S. C. § 1400;  
Supp. III, § 1400.  
Post, p. 812.

"(1) With respect to wages received during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages received during the calendar year 1945, the rate shall be 2 per centum."

(b) Clauses (1) and (2) of section 1410 of such Act (Internal Revenue Code, sec. 1410) are amended to read as follows:

53 Stat. 175.  
26 U. S. C. § 1410;  
Supp. III, § 1410.  
Post, p. 813.

"(1) With respect to wages paid during the calendar years 1939, 1940, 1941, 1942, 1943, and 1944, the rate shall be 1 per centum.

"(2) With respect to wages paid during the calendar year 1945, the rate shall be 2 per centum."

#### SEC. 902. APPROPRIATIONS TO THE TRUST FUND.

Section 201 (a) of the Social Security Act, as amended, is further amended by adding at the end of the subsection the following:

49 Stat. 622.  
42 U. S. C. § 401 (a).

"There is also authorized to be appropriated to the Trust Fund such additional sums as may be required to finance the benefits and payments provided under this title."

Appropriation authorized.

SAM RAYBURN

*Speaker of the House of Representatives.*

CLAUDE PEPPER

*Acting President of the Senate pro tempore.*

IN THE HOUSE OF REPRESENTATIVES, U. S.,  
February 24, 1944.

The House of Representatives having proceeded to reconsider the bill (H. R. 3687) entitled "An Act to provide revenue, and for other

Certificate of House of Representatives.

purposes", returned by the President of the United States with his objections, to the House of Representatives, in which it originated, it was

*Resolved*, That the said bill pass, two-thirds of the House of Representatives agreeing to pass the same.

Attest:

SOUTH TRIMBLE

*Clerk.*

Certificate of origin.

I certify that this Act originated in the House of Representatives.

SOUTH TRIMBLE

*Clerk.*

IN THE SENATE OF THE UNITED STATES,  
*February 25 (legislative day, February 7), 1944.*

Certificate of Senate.

The Senate having proceeded to reconsider the bill (H. R. 3687) entitled "An Act to provide revenue, and for other purposes", returned by the President of the United States with his objections, to the House of Representatives, in which it originated, and passed by the House of Representatives on reconsideration of the same, it was

*Resolved*, That the said bill pass, two-thirds of the Senate having voted in the affirmative.

Attest:

EDWIN A. HALSEY

*Secretary.*

[CHAPTER 64]

AN ACT

February 26, 1944

[H. R. 2580]

[Public Law 236]

To grant the consent of Congress to a compact entered into by the States of South Dakota and Wyoming relating to the waters of the Belle Fourche River Basin, to make provisions concerning the exercise of Federal jurisdiction as to those waters, to promote the most efficient use of those waters, and for other purposes.

Belle Fourche River  
Compact.  
Consent of Congress.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the consent of Congress is hereby given to a compact authorized by the Act entitled "An Act granting the consent of Congress to compacts or agreements between the States of South Dakota and Wyoming with respect to the division and apportionment of the waters of the Belle Fourche and Cheyenne Rivers and other streams in which such States are jointly interested", approved February 26, 1927 (44 Stat. 1247), signed by commissioners for the States of South Dakota and Wyoming, on the 18th day of February 1943 and thereafter ratified by the act of the Legislature of South Dakota entitled "An act ratifying and approving a compact between the States of Wyoming and South Dakota for use of the waters of the Belle Fourche River, and declaring an emergency", approved March 4, 1943 and the act of the Legislature of Wyoming entitled "An act to provide for the ratification and approval of the Belle Fourche River Compact", approved March 3, 1943, which compact reads as follows:

Text of compact.

BELLE FOURCHE RIVER COMPACT

The States of South Dakota and Wyoming, parties signatory to this compact (hereinafter referred to as South Dakota and Wyoming, respectively, or individually as a State, or collectively as the States), have resolved to conclude a compact as authorized under the Act of Congress of February 26, 1927, Chapter 216, 44 Stat. 1247, and, after